



BOARD OF BEHAVIORAL SCIENCES
1625 N. Market Blvd., Suite S-200, Sacramento, CA 95834
Telephone (916) 574-7843
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Website Address: <http://www.bbs.ca.gov>



MEETING NOTICE

Budget and Efficiency Committee June 21, 2006

9:30 p.m. to 11:30 p.m.

Department of Consumer Affairs
1625 North Market Blvd., Suite S-200
El Dorado Conference Room
Sacramento, CA 95834

I. Introductions

II. Approval of January 27, 2006 Committee Meeting Minutes

III. Approval of April 17, 2006 Committee Meeting Minutes

IV. Strategic Plan Goals 2, 5 & 6 – Report on Progress

Goal 2: Build an excellent organization through effective leadership and professional staff.

Objective 2.1 -- Meet 80% of training goals identified in IDPs by June 30, 2006.

Objective 2.2 -- Reduce average application processing time by 33% by December 30, 2006.

Objective 2.3 -- Increase staff training hours by 15% by June 30, 2010.

Objective 2.4 -- Joint participation by executive staff and board members in 20 external events (non-board meeting) by June 30, 2010.

Goal 5: Utilize technology to improve and expand services.

Objective 5.1 -- Provide the ability to accept electronic payments by June 30, 2008.

Objective 5.2 -- Process 70% of all renewal applications on-line by June 30, 2009.

Objective 5.3 -- Process 33% of all new applications on-line by June 30, 2010

Objective 5.4 -- Provide the ability to check the status of all applications online by June 30, 2010.

Goal 6: Maximize the efficiency and effectiveness of the Board's resources.

Objective 6.1 -- Increase licensing staff productivity 13% by June 30, 2010

Objective 6.2 -- Increase enforcement staff productivity in processing consumer complaints 29% by June 30, 2010.

Objective 6.3 -- Increase examination staff productivity 15% by June 30, 2010.

V. Report on Government Accounting Standards Board Rule 45 Regarding Retiree Health Benefits

VI. Report and Possible Action on Granting Continuing Education Credits for Attending Board Meetings

VII. Report and Possible Action on Establishing Delinquency Fees for Continuing Education Providers

VIII. Report and Possible Action on Revising Fee Statutes and Regulations.

IX. Budget Update

X. Suggestions for Future Agenda Topics

Public Comment on items of discussion will be taken during each item. Time limitations will be determined by the Chairperson. Items will be considered in the order listed. Times are approximate and subject to change. Action may be taken on any item listed on the Agenda.

THIS AGENDA AS WELL AS BOARD MEETING MINUTES CAN BE FOUND ON THE BOARD OF BEHAVIORAL SCIENCES WEBSITE AT www.bbs.ca.gov

NOTICE: The meeting facilities are accessible to persons with disabilities. Please make requests for accommodations to the attention of Christina Kitamura at the Board of Behavioral Sciences, 1625 N. Market Boulevard, Suite S-200, Sacramento, CA 95834, or by phone at 916-574-7835, no later than one week prior to the meeting. If you have any questions please contact the Board at (916) 574-7830.

Item II

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***DRAFT* Meeting Minutes**
Budget and Efficiency Committee
January 27, 2006

California Department of Education
1430 N Street, Room 2102
Sacramento, CA 95814

Meeting called to order at 9:00 a.m. and quorum was established.

Committee members present:

Victor Law, Chair
Donna DiGiorgio

Staff members present:

Paul Riches, Executive Officer
Mona Maggio, Assistant Executive Officer
Kim Madsen, Program Manager
Lynne Stiles, Information Technology Analyst

I. Introductions

Mr. Law welcomed everyone to the meeting.

II. Strategic Plan Goals 2, 5 & 6 – Report on Progress

Goal 2: Build an excellent organization through effective leadership and professional staff.

Objective 2.1 -- Meet 80% of training goals identified in IDPs by June 30, 2006.

The committee reviewed the objective and questioned whether the June 30, 2006 date is realistic. Staff indicated that the date is realistic. Staff explained that the Individual Development Plan (IDP) is the annual review process for state employees. IDPs should be completed in each employee's anniversary month, but the board had been unable to be current with IDPs. With the addition of Ms. Madsen as a manager, the board will have provided each employee an IDP by the end of January. With all the IDPs complete in a short time, employees will have the opportunity to complete substantial training by June 30, 2006. Any training not completed by then will at least be scheduled by that date.

Objective 2.2 -- Reduce average application processing time by 33% by December 30, 2006.

The committee reviewed the objective and commented on the importance of providing timely service to the board's applicants. Staff reported that the objective has already been met and exceeded. Application processing time in the prior quarter

was down 46% from the baseline quarter of April – June 2005. Staff noted that this measure only applies to the time required for staff to evaluate the application and that there are other factors that require improvement that will need to be included in a future revision of this objective.

Objective 2.3 -- Increase staff training hours by 15% by June 30, 2010.

The committee reviewed the objective and inquired as to the availability of board funds to pay for the added training. Staff indicated that the board had not fully expended its line item for training in recent years and funding should not be an issue. Staff added that ongoing training for staff is an investment that will allow the board to continue to increase its productivity which will be required to accommodate future workload increases without additional staff or service reductions.

Objective 2.4 -- Joint participation by executive staff and board members in 20 external events (non-board meeting) by June 30, 2010.

The committee reviewed the objective and observed that the biannual meetings with educators from marriage and family therapy and clinical social work programs will satisfy one-half of the 20 meetings in the objective. Staff agreed and indicated that the Communications Committee is already planning participation at annual meetings for the principal licensee associations.

Goal 5: Utilize technology to improve and expand services.

The committee reviewed the objectives and received an extensive update by Ms. Stiles regarding the objectives and the board's participation in the Department of Consumer Affairs iLicensing project. The feasibility study report (FSR) for the iLicensing project has been approved by the Department of Finance but a funding source has not been identified. It is expected that each participating board/bureau in the department will bear a pro-rata share of the cost but neither the cost nor the allocation of the costs have been detailed at this point in time. A number of challenges exist for launching online services including how to establish and verify identity online, how to accept electronic documents to establish qualifications for licensure, and how to accommodate the service charges for accepting credit card payments.

The committee recognized the significant productivity and service enhancements that could be realized from online transactions.

Objective 5.1 -- Provide the ability to accept electronic payments by June 30, 2008.

Objective 5.2 -- Process 70% of all renewal applications online by June 30, 2009.

Objective 5.3 -- Process 33% of all new applications online by June 30, 2010

Objective 5.4 -- Provide the ability to check the status of all applications online by June 30, 2010.

Goal 6: Maximize the efficiency and effectiveness of the Board's resources.

The committee reviewed the objectives and staff indicated that the productivity growth targets were established based on anticipated program growth through 2010. These growth projections were established by extrapolating from the prior five-year period.

Objective 6.1 -- Increase licensing staff productivity 13% by June 30, 2010.

Objective 6.2 -- Increase enforcement staff productivity in processing consumer complaints 29% by June 30, 2010.

Objective 6.3 -- Increase examination staff productivity 15% by June 30, 2010.

III. Dates for Future Committee Meetings

The committee set the following dates for future meetings.

Monday, April 17, 2006

Wednesday, June 21, 2006

Wednesday, September 20, 2006

Wednesday, January 10, 2007

The committee adjourned at 9:45 a.m.

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Item III

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Draft Meeting Minutes

Budget and Efficiency Committee

April 17, 2006

1:30 p.m. to 2:30 p.m.

Radisson Hotel

6225 West Century Boulevard

Los Angeles, CA 90045

Committee Members Present

Victor Law
Donna DiGiorgio

Staff Members Present

Paul Riches
Mona Maggio

I. Introductions

Meeting called to order at 1:50 p.m.

II. Strategic Plan Goals 2, 5 & 6 – Report on Progress

Goal 2: Build an excellent organization through effective leadership and professional staff.

Objective 2.1 -- Meet 80% of training goals identified in IDPs by June 30, 2006.

Mr. Riches stated that the board has completed current individual development plans (IDP) for all employees. Mr. Riches provided the general process for conducting these reviews and indicated that we have satisfied this objective.

Objective 2.2 -- Reduce average application processing time by 33% by December 30, 2006.

Mr. Riches stated we have exceeded this processing time reduction in this objective. In the previous quarter processing time was 43% below the baseline established in 2005. The improvement was attributed to personnel and process changes undertaken in the past year. Most notably the average processing times for marriage and family therapist applications is now at 19 days and that number should fall to the 12-13 day range in the next quarter. Average processing times for that program have been well above 40 days for the past year.

Mr. Riches identified ongoing high rates of deficient applications as a major hurdle to further reductions in overall processing time. Staff will be developing strategies to reduce the deficiency rate.

Objective 2.3 -- Increase staff training hours by 15% by June 30, 2010.

Mr. Riches stated that there is no minimum or requirement for staff training, however the strategic plan identifies staff training as essential to meeting organizational goals. Staff compiled a baseline from the 2004-2005 fiscal year of 750 hours. Current year statistics indicate that staff training hours will be in the same range.

Objective 2.4 -- Joint participation by executive staff and board members in 20 external events (non-board meeting) by June 30, 2010.

Mr. Riches stated that this objective is targeted to build relationships between staff and board members outside of regular board meetings. Seven events are already on the calendar for this year.

Mr. Law stated the Board has discussed giving licensees continuing education credits for attending board meetings. Ms. Riemersma representing the California Association of Marriage and Family Therapists and Mr. Wong representing the National Association of Social Workers, California Chapter believe BBS meetings are very educational and provide licensees valuable information. Mr. Law requests that the subject be placed on the agenda for the next committee meeting.

Goal 5: Utilize technology to improve and expand services.

Mr. Riches indicated that the Department of Consumer Affairs has a proposal to fund development of an i-licensing system before the Legislature for inclusion in the 2006-07 fiscal year. Department of Consumer Affairs (DCA) staff reports that they have not heard any negatives. The technology is available but the question lies with funding the costs of development and integration with existing DCA databases. If the i-licensing proposal is approved, it will meet most, if not all, of these objectives. Mr. Riches discussed the Board's ability to fund this project. The DCA proposal includes new budgetary authority to fund the project.

Mr. Law requested that i-licensing information be included in the Board's next newsletter.

Objective 5.1 -- Provide the ability to accept electronic payments by June 30, 2008.

Objective 5.2 -- Process 70% of all renewal applications on-line by June 30, 2009.

Objective 5.3 -- Process 33% of all new applications on-line by June 30, 2010.

Objective 5.4 -- Provide the ability to check the status of all applications online by June 30, 2010.

Goal 6: Maximize the efficiency and effectiveness of the Board's resources.

Objective 6.1 -- Increase licensing staff productivity 13% by June 30, 2010

Mr. Riches presented the baseline data that was developed since the last meeting. Those data indicated total productivity of .71 applications per hour. In order to satisfy this objective, productivity would have to increase to .81 applications per hour. The most recent statistics indicate that license evaluators are working on applications that were received in the current week. This is significant improvement since last year, when evaluators were routinely working on applications received at 30 days prior.

Objective 6.2 -- Increase enforcement staff productivity in processing consumer complaints 29% by June 30, 2010.

Mr. Riches indicated that establishing baseline productivity data for enforcement is much more challenging than for the licensing unit. Staff is working on a methodology and expects to bring baseline to the next meeting.

Objective 6.3 -- Increase examination staff productivity 15% by June 30, 2010.

Mr. Riches indicated that staff has not yet developed a methodology to establish baseline productivity.

III. Review and Possible Action Regarding Fee Reduction Proposal

Mr. Riches indicated that the board could operate for one year without taking in any revenue, and that there is a statute that requires the Board to reduce fees if the reserve fund exceeds two years of operating costs. Accordingly, staff developed a proposal to reduce license renewal fees to approximately:

Marriage and Family Therapist -- \$40
Licensed Clinical Social Worker -- \$30
Licensed Educational Psychologist -- \$20

The staff proposal would be for a two-year period so all licensees and registrants/interns would have the opportunity to benefit before fees are restored to their current levels.

Mr. Riches explained an additional staff suggestion to redirect a portion of fee reduction to the loan repayment program through the Health Professions Education Foundation at the Office of Statewide Health Planning and Development.

Mr. Riches noted that current annual board revenue has been near \$5 million which exceeds the approximately \$4.7 million board budget. However, staff did not recommend a reduction in final fees because the board's personnel budget is getting tighter with the hiring of new staff, and operating costs are expected to increase from the new computer based testing contract.

Mr. Wong suggested spreading out the renewal period to over 3-4 years instead of two-year period.

The committee directed staff to draft language to reduce the renewal fees and place on the board's next agenda for consideration.

IV. Budget Update

Mr. Riches indicated that staff will be submitting a Budget Change Proposal to add two analysts to the enforcement unit. The current analysts have caseloads around 100 which is too high. The proposal will not request additional budgetary authority but propose to reallocate funds from operating expenses to fund the positions. If successful, the proposal would add the positions effective July 1, 2007. The added staff will improve internal response times and reduce unsustainable caseloads for existing staff.

Staff is also working with the DCA budget office to perform some minor realignment of spending within the current budget to establish lines for the Interagency Agreements with the Office of Examination Resources and to reduce the amount allotted for fingerprint reimbursements.

V. Suggestions for Future Agenda Topics

Automation and renewal processes including the electronic transfer of continuing education certificates.

Item IV

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State of California

M e m o r a n d u m

To: Budget and Efficiency Committee

Date: June 8, 2006

From: Paul Riches

Telephone: (916) 574-7840

Subject: Strategic Plan Update

Background

The board formally adopted the new strategic plan at its November 2005 meeting. As part of the implementation of the strategic plan, each committee will receive a progress update on the strategic objectives under its jurisdiction. This regular exchange of information provided will provide mutual accountability between staff and board members in accomplishing our shared objectives.

Goal 2: Build an excellent organization through effective leadership and professional staff.

Objective 2.1 -- Meet 80% of training goals identified in IDPs by June 30, 2006.

Methodology

Staff reviewed Individual Development Plans completed in the 2005/2006 fiscal year and found that the plans indicated 23 separate training courses be completed.

Target

Staff would need to complete 18 courses to satisfy the objective.

Current Performance

The backlog of Individual Development Plans (IDPs) has been eliminated, and the board is now current. Of those IDPs given in the current fiscal year, 8 staff members identified 23 classes they desired to attend. To date 21 classes have been completed. This is an 88% completion rate.

This objective has been satisfied for the current quarter. Staff will return with recommendations regarding either the revision or elimination of this objective at a future committee meeting.

Objective 2.2 -- Reduce average application processing time by 33% by December 30, 2006.

Applicants place a priority on the timely resolution of their application, and this objective was established to improve the board's responsiveness to its applicants.

Methodology

Application processing time is defined as follows:

of days from receipt of application - # of days elapsed awaiting resolution of deficiencies

Results for Baseline Period

Baseline processing time was established in the period from April – June 2005 as 23.4 days.

In the January – March 2006 quarter, the average processing time across all programs was 13.4 days. We will not have full quarter results until the July board meeting, however, in May 2006 average processing time across all licensing desks was 9.3 days.

Target Processing Times

An average processing time of 15.7 days would satisfy this strategic objective. The processing time for the January – March 2006 quarter was 13.4 days which is a 43% reduction in processing time.

Future Focus

This has been satisfied for this quarter and staff anticipates not only maintaining this performance but that additional improvement in application processing times is possible. Staff is evaluating further processing time reductions as an objective.

Additionally, the licensing statistics clearly indicate the significant delays caused by deficient applications. Staff is conducting a short study to identify the most common deficiencies as the first step in developing strategies to address problem areas in the applications. Results of the study and suggested process improvements should be available at the September meeting.

Objective 2.3 -- Increase staff training hours by 15% by June 30, 2010.

Methodology

Staff reviewed training records for the prior two fiscal years to establish an average number of training hours to utilize as a baseline.

In the fiscal year 2003/2004, staff completed 150 hours of formal training.
In the fiscal year 2004/2005, staff completed 813 hours of formal training.
This data yields an average of 481 hours of staff training over the two year period.
Given the significant divergence between those two numbers, staff will use the 2004/2005 fiscal year as the baseline for this objective.

Target

Staff would need to complete 934 hours per year to satisfy the objective.

Current Performance

In the fiscal year 2004/2005, 813 hours were devoted to staff training. This number includes a mandatory training class, which all staff attended and accounts for 168 hours. To date, 992 hours staff training has been completed. A 22% increase over the previous year.

The standard training plan has been implemented for all new staff. Currently, 2 staff members are going through this standardized training. For existing staff, standard training specific to the employee civil service classification has been identified and shared with staff.

Objective 2.4 -- Joint participation by executive staff and board members in 20 external events (non-board meeting) by June 30, 2010.

This objective was included to develop closer working relationships between board members and board staff outside the context of formal board and committee meetings. The following list includes both past and currently scheduled events.

1. *October 2005* MSW educators meeting at USC [Peter Manoleas, Paul Riches]
2. *January 2006* MSW student meeting at UC Berkeley [Peter Manoleas, Paul Riches, Janene Mayberry]
3. *March 2006* National Association of School Psychologists meeting in Anaheim [Judy Johnson, Paul Riches]
4. *April 2006* MFT Student outreach meeting at Pepperdine University [Karen Pines, Sean O'Connor]
5. *May 2006* CAMFT annual meeting in Palm Springs [Joan Walmsley, Mona Maggio, Paul Riches]
6. *June 2006* MFT students and educators meeting at Phillips Graduate Institute [Ian Russ, Victor Law, Paul Riches, Kari Frank, Mona Maggio]

Goal 5: Utilize technology to improve and expand services.

Objective 5.1 -- Provide the ability to accept electronic payments by June 30, 2008.

Objective 5.2 -- Process 70% of all renewal applications on-line by June 30, 2009.

Objective 5.3 -- Process 33% of all new applications on-line by June 30, 2010

Objective 5.4 -- Provide the ability to check the status of all applications online by June 30, 2010.

These four goals are linked to the implementation of the iLicensing system being developed by the Department of Consumer Affairs. The Legislature included \$10.7 million in the 2006-07 budget bill (SB 1129) for the Department to implement the system. All of the boards and bureaus within the Department will share the expense of the system. It is expected that the system will provide a platform to meet these goals. The BBS budget was increased by \$50,000 in the 2006-07 fiscal year to reflect its share of the first year expense. Additional expenditures in future budget years are expected as the project is implemented. The budget action included total department-wide budget reductions of \$500,000 per year ongoing beginning in the 2009-10 fiscal year to reflect efficiencies from the system.

As of this writing, the 2006-07 budget is still pending in the Legislature, but this item is expected to be included in the final budget signed by the Governor this year.

Goal 6: Maximize the efficiency and effectiveness of the Board's resources.

The productivity targets in each of these objectives were established by projecting future workload based on an evaluation of the trends established in the past five years. These productivity increases are required if the new workload is to be absorbed without either an increase in staffing or reduction in service levels.

Objective 6.1 -- Increase licensing staff productivity 13% by June 30, 2010

With the close of the January – March 2006 quarter, we now have one full year of data available as a baseline measure of productivity. It is important to measure licensing productivity on an annual basis because of the substantial seasonality to the workload.

Methodology

Productivity is defined as the total number of completed applications divided by the total time. The licensing unit has 4.5 personnel years allocated to evaluate applications for registration and licensure. There are 246 working days in a personnel year (52 weeks x 5 days – 14 paid state holidays). Based on 8 hour workdays that allows 1107 total working days for our license evaluators. This figure does not account for vacancies, training time, sick leave, or vacation so the resulting number is expected to understate the actual productivity, but including these confounding variables would make valid year to year comparisons unworkable.

Results for Baseline Period

In the period of April 1, 2005 to March 31, 2006 the license evaluators completed 6377 applications. Based on that performance the license evaluators completed 0.7 applications per work hour.

Productivity Target

To meet the 13% productivity increase target the license evaluators will have to complete .81 applications per work hour.

Objective 6.2 -- Increase enforcement staff productivity in processing consumer complaints 29% by June 30, 2010.

Staff is developing a method to calculate enforcement productivity and expects to have a baseline productivity level available at the next committee meeting.

Objective 6.3 -- Increase examination staff productivity 15% by June 30, 2010.

Methodology

Productivity is defined as the total number of examinations administered divided by the total time. The exam unit has 2.8 personnel years allocated to evaluate applications for registration and licensure. There are 246 working days in a personnel year (52 weeks x 5 days – 14 paid state holidays). Based on 8 hour workdays that allows 5510 total working hours in the exam unit. This figure does not account for vacancies, training time, sick leave, or vacation so the resulting number is expected to understate the actual productivity. However, including these confounding variables would make valid year to year comparisons unworkable.

Results for Baseline Period

The 2004-2005 fiscal year will serve as the baseline period. In that year, 6626 exams were administered which yields a productivity of 1.2 examinations per staff hour.

Productivity Target

To meet the 15% productivity increase target the examination unit will have to reach 1.4 examinations per staff hour.

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Item V

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State of California

Memorandum

To : Board of Behavioral Sciences

Date: June 6, 2006

From : Paula Gershon, Budget Analyst
Board of Behavioral Sciences

Telephone: (916)574-7838

Subject : GASB

The Government Accounting Standards Board ("GASB") is an independent, private-sector, not-for-profit organization that establishes and improves standards of financial accounting and reporting for U.S., state and local governments. Governments and the accounting industry recognize the GASB as the official source of generally accepted accounting principles for state and local governments.

GASB has established new federal accounting rules which will soon require State agencies to calculate and publicly report their liabilities for retiree health benefit costs. Most governmental agencies have "pay-as-you-go" policies for these costs where the costs are simply budgeted out of general revenue each year. This practice is opposed to pension benefits which are generally pre-funded by contributions from both the employer and employee during the course of employment. Although GASB isn't requiring States to "bank" money for those obligations, they must begin reporting them in 2007-08 fiscal year.

Most governments do not report information about the nature and size of their long-term obligations and commitments related to post employment benefits (i.e. health care costs for retirees). Consequently, the readers of financial statements, including the public have incomplete information with which to assess the cost of public services and to analyze the financial position and long-run financial health of a government agency. The purpose of these new standards is to address these shortcomings.

It is expected that this reporting requirement will create significant political pressure to begin addressing these long term retirement health liabilities in future budgets. The Legislative Analyst recently released a report (Attachment A) estimating retirement health care liabilities for state employees between \$49-70 billion (as a point of comparison, the 2006/07 state budget will have general fund expenditures of approximately \$100 billion).

The Board staff has scheduled meetings with the Department, and will be working closely with the budget office to determine the issues around these new standards and what will be required of the Board.

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Attachment A

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RETIREE HEALTH CARE: A GROWING COST FOR GOVERNMENT

What Will New Government Accounting Standards Reveal About State and Local Government Liabilities for Retiree Health Care Benefits? What Steps Can the Legislature Take to Begin Addressing These Issues?

Summary

Retired state employees and their dependents receive health care benefits financed in part by the state. The costs of providing health care to retired state employees and their dependents—now approaching \$1 billion per year—are increasing significantly. Many other public employers (including school districts, universities, cities, and counties) face similar pressures.

In this piece, we describe the health benefits provided to retired public employees, focusing on state retirees. We find that the current method of funding these benefits defers payment of these costs to future generations. Retiree health liabilities soon will be quantified under new accounting standards, but state liabilities are likely in the range of \$40 billion to \$70 billion—and perhaps more. We describe actions that the Legislature could take to address the costs of these benefits and to encourage state and local governments to begin planning and paying for these future costs.

INTRODUCTION

Background. Like many employers, governments in California often pay for health and dental insurance for their employees and eligible family members after retirement. Costs for retiree health benefits have been rising rapidly—increasing faster than both inflation and the overall growth rate of government spending.

Retiree Health Benefits Are Not Prefunded...Unlike Pensions. Almost all public entities in the United States pay for retiree health benefits in the year the benefits are used by retirees. This is sometimes called the “pay-as-you-go” approach, and it differs from the prefunding model used for most pension benefits—where most costs are funded in advance during employees’ working years and invested until paid to retirees. The pay-as-you-go approach has led to the accumulation of massive financial liabilities to pay for future retiree health benefits. These liabilities will be quantified under new government accounting rules that come into effect in 2007-08.

Structure of This Report. This report focuses on the state’s costs for providing benefits to its own retired employees, while also discussing similar issues for the University of California (UC), local governments, and school districts. The report first describes existing benefits for retirees and then outlines the new accounting rules. We then discuss the magnitude of financial liabilities for retiree health benefits and offer policy recommendations and options for governments to address these liabilities.

STATE RETIREE HEALTH BENEFITS

History

In 1961, the Legislature for the first time appropriated funds to the State Employees’ Retirement System—the predecessor to the California Public Employees’ Retirement System (CalPERS)—to provide health benefits to state employees and retirees. The state paid most of the costs of a basic employee and retiree health plan—with state contributions per employee set at \$5 per month in 1961-62. Total costs at that time were \$4.8 million (then under 0.3 percent of General Fund spending). The \$5 state contribution mirrored the provisions of the new federal employee health program, which began operations in 1960. Figure 1 lists key events in the evolution of the state’s retiree health program over the past half century. Since 1974, the state has paid a percentage of health costs, rather than a fixed amount.

Figure 1**State Retiree Health Benefits—Key Historical Events**

Year	Event
1961	State contributions of \$5 per month begin.
1967	Local agencies begin contracting with CalPERS for health benefits.
1974	State pays 80 percent of employee/retiree and 60 percent of dependent costs.
1978	State pays 100 percent of employee/retiree and 90 percent of dependent costs.
1984	State costs exceed \$100 million. Legislature increases years required for employees to vest in retiree health benefits.
1991	State begins to pay less than 100/90 formula for current employees. The 100/90 formula continues for retirees.
2006	The <i>2006-07 Governor's Budget</i> projects that costs will exceed \$1 billion.

The 100/90 Formula

Current law provides state contributions for retiree health benefits on the basis of a “100/90 formula.” Under the formula, the state’s contributions are equal to 100 percent of a weighted average of retiree health premiums and 90 percent of a similar weighted average for additional premiums necessary to cover eligible family members of retirees. The formula bases payments on the weighted average of premium costs for single enrollees in the four basic health plans with the largest state employee enrollment during the prior year. The formula applies to all eligible retirees, including those from the California State University system.

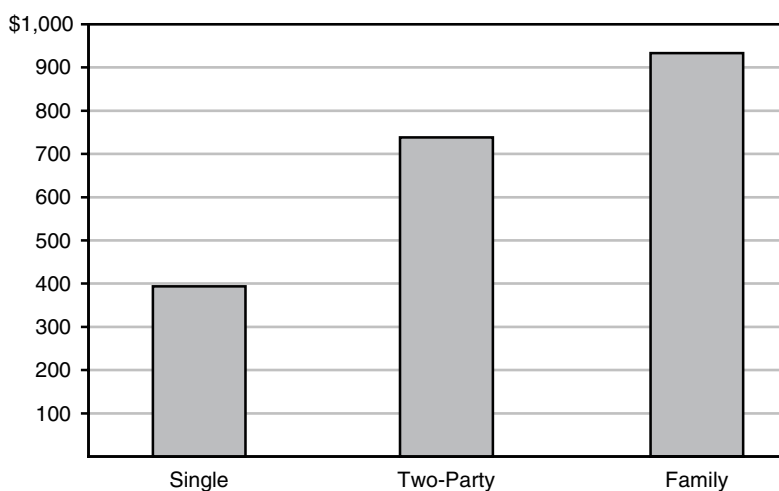
Vesting Requirements for State Contributions. Most state employees hired since 1985 receive full state contributions only after a period of vesting. Retirees and their eligible family members generally receive no state health contributions with less than ten years of service. They receive 50 percent of the contribution with ten years of service, increasing 5 percent annually until the 100 percent level is earned after 20 or more years of employment. State employees hired prior to 1985 are fully vested for health benefits upon retirement.

2006 State Contribution Levels. Legislative approval of funding for retiree health and dental benefits occurs in the budget act, following CalPERS’ negotiation of health plan rates for the upcoming calendar year. For 2006, the 100/90 formula contributions are based on the premium costs for the four largest CalPERS health plans: Blue Shield’s health maintenance organization (HMO), Kaiser Permanente’s HMO, the PERSCare preferred

provider organization (PPO), and the PERS Choice PPO. This results in a 2006 required state contribution of \$394 per month for a single retiree, \$738 per month for a retiree and a family member, and \$933 per month for a retiree family, as shown in Figure 2.

Figure 2

2006 Monthly State Contributions for Retiree Health Care



State Benefits and the Individual Retiree

Retirees Under Age 65. A retiree's vested state contribution amount may or may not cover the entire premium cost for a desired health care plan. For instance, for a fully vested 60-year-old retiree with a spouse or domestic partner of the same age, the 100/90 formula results in state contributions of \$738 per month. In 2006, the state contribution for this couple covers all premiums for the Kaiser Permanente HMO plan. To join a Blue Shield HMO plan in 2006, the couple must pay \$33 extra per month above the state contribution. To join PERSCare—with its flexible PPO options, including the ability to switch physicians or see specialists without referral—the family must pay \$609 extra per month. (The 2006 monthly premiums for selected health plans administered by CalPERS are listed in Figure 3. Retirees under age 65 enroll in the basic plans listed in the top part of the figure.)

For many retirees from state service who are between the ages of 50 and 65, retirement brings no immediate change in health plans or coverage.

Figure 3**2006 Monthly Premiums for
Selected State Employee Health Plans**

	Single	Two-Party	Family
Basic Plan Premiums			
Kaiser Permanente Basic HMO	\$365	\$730	\$949
Blue Shield Basic HMO	386	771	1,003
PERS Choice Basic PPO	401	801	1,042
PERSCare Basic PPO	674	1,347	1,752
Medicare Plan Premiums			
Kaiser Permanente HMO Medicare Advantage	\$219	\$437	\$656
Blue Shield HMO Medicare Supplement	286	573	859
PERS Choice PPO Medicare Supplement	322	644	966
PERSCare PPO Medicare Supplement	347	694	1,042

HMO = Health Maintenance Organization. PPO = Preferred Provider Organization.

These persons can remain in the same CalPERS basic health plan they had when they worked for the state. Rather, the changes they experience after retirement are largely financial. During their working years, these individuals and their family members probably received health benefits under 80/80 or 85/80 state contribution formulas included in collective bargaining agreements between the state and employee bargaining units. After retirement, the new retirees and their families typically receive benefits under the more generous 100/90 formula. Upon retirement, therefore, an individual may experience a reduction in the premium expenses he or she pays—with the state contributing an increased share.

Retirees, Age 65 and Over. Upon reaching age 65, most state retirees receive coverage under the federal government's Medicare Part A program (for hospital and similar benefits). Eligible state retirees must join Medicare Part A and Part B (for outpatient benefits), and at that time, they become eligible for coverage under one of CalPERS' Medicare health plans. These CalPERS plans supplement the federal government's health coverage and reduce the out-of-pocket costs required under Medicare—including premiums, deductibles, and copayments. Because the federal government covers a significant portion of health costs for retirees on Medicare, the premiums for CalPERS' Medicare plans are lower than those of CalPERS' basic health plans for current state employees and retirees under age 65. Monthly premiums in 2006 for some of CalPERS' Medicare plans are listed in the bottom part of Figure 3.

Retirees over age 65 and eligible family members receive the same monthly state contribution for health premiums as younger retirees. For a fully vested 67-year-old state retiree with a spouse or domestic partner of the same age, for example, this means that the state contribution for 2006 covers all monthly premium costs for the four CalPERS Medicare plans listed in Figure 3. After providing for these premium costs, \$301 of the state contribution is unused if the couple enrolls in the Kaiser Permanente Medicare Advantage plan, and \$44 is unused if the couple enrolls in the PERSCare Medicare Supplement plan. State law provides that this unused portion of the state contribution may be used to pay all or part of Medicare Part B premiums for retirees and eligible family members. (In 2006, monthly Medicare Part B premiums are just under \$89.) If any portion of the state contribution remains unused after paying these costs, it will remain unused since the retiree does not receive a refund for any remaining amount.

Some state retirees—including some who were first hired before 1986, when Medicare taxes became mandatory for most state and local government employees—are not automatically eligible for Medicare Part A coverage when they reach the age of 65. These retirees and some others can remain in CalPERS' basic health plans.

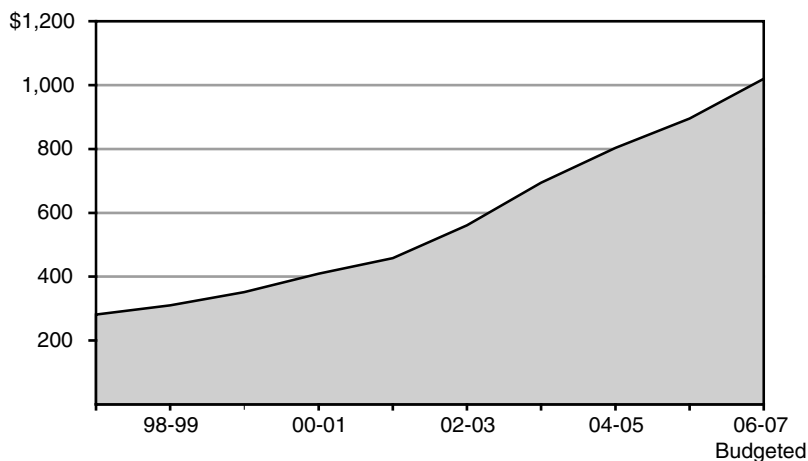
Soaring Costs

Figure 4 shows that state costs for retiree health and dental benefits have increased rapidly in recent years. They have more than tripled in the last nine years, reaching \$895 million in 2005-06. The 2006-07 *Governor's Budget* projects that retiree health and dental costs will exceed \$1 billion in 2006-07. Since 2000-01, retiree health expenditures have increased an average of 17 percent annually, or more than five times the rate of growth of state spending.

Why Are Costs Increasing?

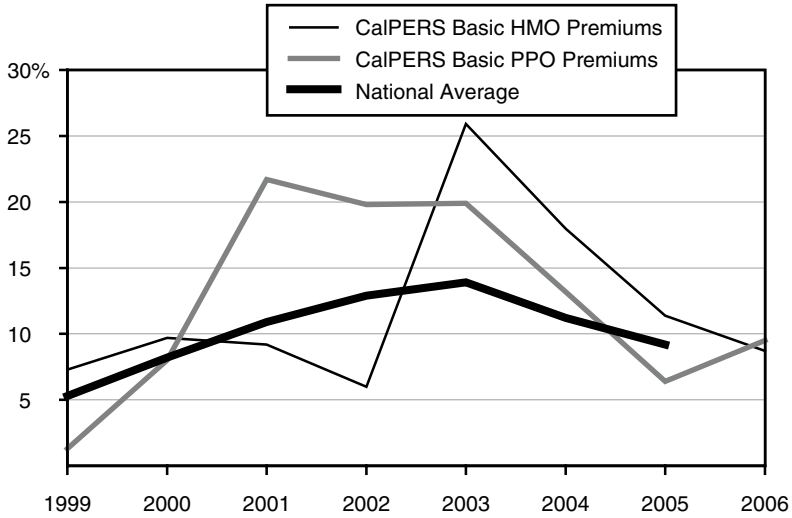
Health Care Costs Have Risen Rapidly. For the last four decades, national health expenditures consistently have grown at a faster rate than the overall economy. Since 1999, health spending has increased by more than three times the rate of inflation. Federal data show that the cost drivers in California's health care system mirror those of the nation as a whole: principally, prescription drugs, physicians and other professional services, and hospital care. The bargaining power of hospitals has increased in recent years, and a limited supply of nurses has also contributed to cost increases.

Employer Health Premiums Rising Even Faster. In recent years, employer health premiums—such as those negotiated for the state by CalPERS—have risen even faster than the rate of overall medical expenditures. Employers' expenditures to purchase health coverage reflect the

Figure 4**State Spending for Retiree Health and Dental Benefits***(In Millions)*

general costs of medical care, other costs associated with a private insurance market (insurer reserves, the pricing of pooled risk, and a return on capital), and the health care industry's shifting of costs not paid by the large, but typically unprofitable, Medicare and Medicaid programs. As shown in Figure 5 (next page), the state's premiums in most recent years have risen faster than the national average for public and private employers. The growth each year, which is determined by annual negotiations with health plans, can be quite volatile. Some recent years have seen double-digit increases.

Research shows that trends in the rate of growth of employer premiums follow a cyclical pattern, characterized by some experts as an insurer underwriting cycle. Many, if not most, researchers believe that U.S. health insurers are entering a lull in this underwriting cycle, when annual premium growth will be slower than in recent years. Recent cost containment actions of CalPERS (summarized in Figure 6, see page 127) and other purchasers of health coverage seem to have contributed to a slowdown in premium growth since 2004. In our fiscal outlook for the state, we project that CalPERS premiums will continue to grow through 2010-11, but moderate and move closer to the overall rate of medical inflation over time.

Figure 5**Increases in Employer Health Insurance Premiums***Annual Percent Change*

More Retirees: The Other Cost Driver. The number of retirees that the state covers in its health programs continues to rise. Californians are living longer, and the large “baby boom” generation has begun to retire. Consequently, state employees are entering retirement faster than prior retirees and family members are dying. Figure 7 (see page 128) shows that the number of retirees covered by state health plans has increased an average of 3.6 percent annually since 1998.

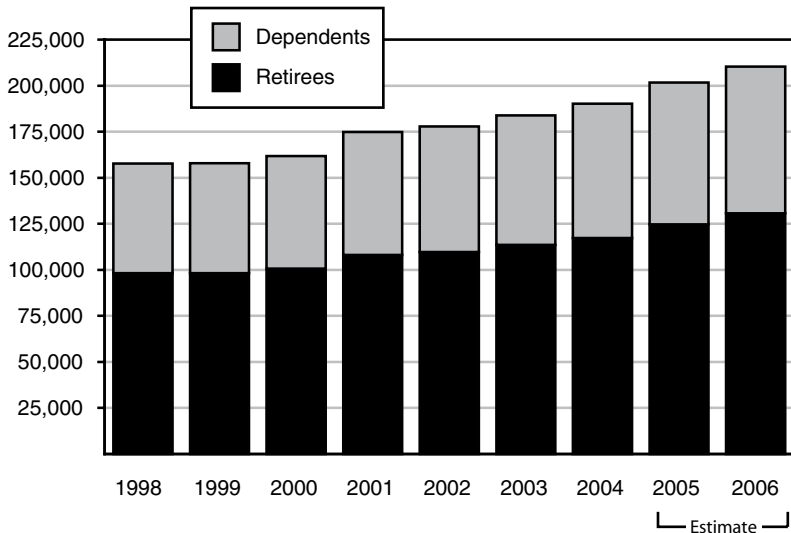
We estimate that 35 percent to 45 percent of the state’s active workforce will retire within the next ten years. Assuming this level of retirements and retirees’ increasing longevity, we forecast that the number of retirees and dependents covered by the state’s health program will increase by almost 4 percent annually through 2010-11. This trend, combined with continued premium growth, results in our projection of continued double-digit growth in the cost of state retiree health and dental benefits. We project that these costs will increase from \$1.0 billion in 2006-07 to \$1.6 billion in 2010-11.

Figure 6**Selected CalPERS Cost Saving Measures Since 2002**

Action	Comment
Ended relationship with Health Net and PacifiCare Health Maintenance Organizations (HMOs) in 2003.	Avoided \$77 million cost increase for state and local health programs.
Raised office visit copayments to \$10 in 2002, as well as other copayment increases.	First changes in copayments for HMO members since 1993.
Eliminated high-cost hospitals from Blue Shield provider network beginning in 2005.	Saved an estimated \$45 million.
Adopted regional pricing.	Prevented large-scale exodus of local participants in Southern California, which would have diminished health plan's bargaining power.
Provided incentives to purchase over-the-counter drugs and refill prescriptions by mail.	Saved an estimated \$27 million.
Moved certain age 65 and older members from basic to Medicare plans.	Saved an estimated \$19 million.
Building large purchaser coalition, Partnership for Change, to enhance bargaining power.	May produce uniform standards for hospital quality and pricing.
Encouraging health plan partners' disease management programs.	May produce savings and improved care for conditions like diabetes and asthma.

OTHER PUBLIC RETIREE HEALTH BENEFITS

In addition to state health benefit programs provided through CalPERS, other public agencies in California offer a wide variety of health benefit programs for current employees, retirees, and eligible family members. Some offer coverage until retirees (and, in some cases, family members) reach the age of eligibility for Medicare—usually age 65. Some provide benefits to supplement Medicare after age 65. Below, we summarize selected characteristics of some of these plans.

Figure 7**Retirees and Dependents With State Health Benefits****University of California**

The UC administers its employee and retiree health program separately from CalPERS. As a result, there are some differences in plan options and premiums. One difference is that, unlike CalPERS, UC benefit plan documents explicitly state that retiree health benefits are not vested or accrued entitlements and that the Regents may change or stop benefits altogether.

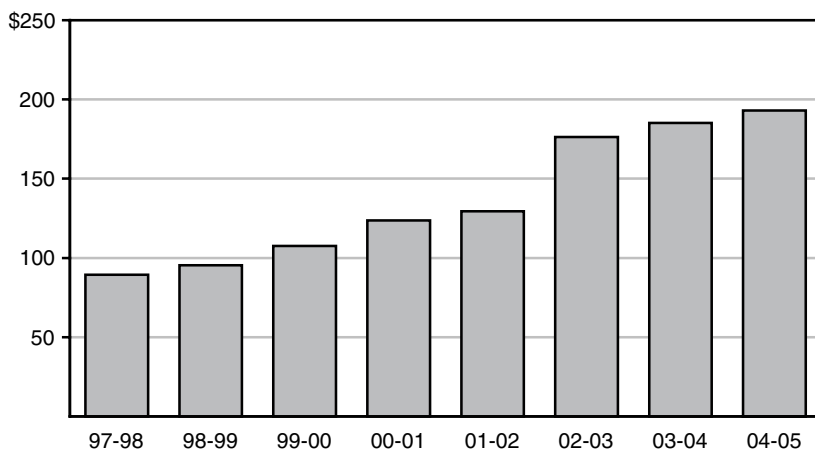
2006 UC Contributions. The UC's maximum retiree health contribution—provided based on years of service—covers most premium costs. For single UC retirees in California under age 65, UC's maximum 2006 health plan contributions cover all but \$18 to \$27 of monthly HMO premiums and all but \$70 to \$75 of monthly PPO and point of service (POS) plan premiums. The UC also offers a high-deductible fee-for-service plan—for which the maximum UC contribution covers all premium costs—designed to provide some protection in the event of a catastrophic illness. For UC retirees over age 65 and on Medicare, UC's supplement plans generally have premiums that are entirely covered by the maximum UC contribution (which also typically pays all Medicare Part B premiums).

Costs Growing Rapidly. In 2004-05, UC retiree health and dental benefit costs totaled \$193 million, or 1 percent of total university revenues. Between 1997-98 and 2004-05, as illustrated in Figure 8, these costs grew an average of 12 percent annually. The UC retiree population grew at a rate of 2.2 percent annually during this period.

Figure 8

UC Retiree Medical and Dental Benefit Costs Increasing

(In Millions)



Source: UC Annual Financial Reports.

K-14 Education

A Wide Variety of Benefit Packages. Hundreds of California school districts and community college districts offer varying levels of health benefits to employees and retirees. Premiums, employer contributions, copayment levels, deductibles, covered services, and retiree benefits differ based primarily on collective bargaining agreements with certificated employees (that is, teachers and other licensed staff) and classified employees. In contrast to the standardized management of *pension* benefits offered to school employees—through the California State Teachers' Retirement System (CalSTRS) and CalPERS—administration of school district health plans varies widely.

As of 2004, 114 school and community college districts (out of a total of almost 1,100) contracted with CalPERS for employee and retiree health coverage. About 265 districts purchased coverage through 11 benefit trusts,

which allow multiple districts to join together to achieve economies of scale. In addition, the Kern County Office of Education administers the Self-Insured Schools of California joint powers agency, which provided benefits to more than 250 school employers in 31 counties, as of 2004. The remaining districts either secure health benefits on their own or do not provide these benefits.

CalSTRS Survey of Benefits. A survey conducted by CalSTRS in 2003 revealed more information about the variety of health benefits offered to retired teachers. The CalSTRS estimated that districts covering 57 percent of retired teachers statewide pay all or a portion of retirees' health insurance premiums. The survey, however, showed that only about 7 percent of districts offer lifetime benefits, such as those offered by the state, UC, and by some of the largest school districts, including the Los Angeles Unified School District. In more than half of responding districts retired teachers were required to pay all of their own health insurance premiums beginning at age 65.

Legislative Actions to Enhance Retired Teachers' Benefits. Since 1985, the Legislature has taken several actions to enhance health benefits of retired teachers. Districts that provide health or dental benefits for current teachers must permit retired teachers and their spouses to enroll in the same plan, pursuant to a series of laws that began with enactment of Chapter 991, Statutes of 1985 (AB 528, Elder). Chapter 991 does not include a requirement for districts to contribute to retirees' coverage, and the law also allows plans to set higher premiums for retired members (compared to current employees) based on retirees' typically higher utilization of medical services. Many districts offer only the minimum required benefits to retirees under Chapter 991 and subsequent legislation. A CalSTRS program authorized by Chapter 1032, Statutes of 2000 (SB 1435, Johnston), also pays Medicare Part A premiums for 6,000 retired teachers not automatically eligible for this federal program.

Counties, Cities, and Special Districts

Counties, cities, and special districts offer a wide variety of retiree health benefits. Most appear to offer some type of health benefit to retired employees through a publicly administered health program also offered to current employees. Many offer benefits through CalPERS.

In September 2005, the California State Association of Counties surveyed county officials on retiree health benefits. Of 49 counties responding (including eight of the ten largest counties), 48 reported that retired employees are eligible for some type of health benefits. (Modoc County was the only one reporting that retirees received no health benefits.) An estimated 117,000 retired employees of responding counties currently receive health benefits at a combined cost of around \$600 million per year. In more than

two-thirds of counties, retirees pay the same premium rates as active county employees. Of the 49 counties, 43 continue to offer health benefits to retirees after the age of 65, and 44 extend coverage to retirees' dependents. Of the total cost for county retiree health benefits, about half is paid directly from county operating budgets, and another one-fourth is paid from funds of retirement systems or county trusts. Almost all counties use a pay-as-you-go approach for part or all of their retiree health benefits. We did not locate similar surveys of cities or special districts during our research.

GASB 45: NEW ACCOUNTING RULES

The rules that govern how governments account for retiree health benefits are in the process of changing. The Governmental Accounting Standards Board (GASB) establishes accounting rules for state and local governments (and related entities, such as public universities and retirement plans). Audited financial statements of governments prepared according to GASB rules are most closely scrutinized by investors in state and local bonds and the rating agencies that make judgments on the likelihood those bonds will be paid off as required. The board was created in 1984 as a parallel to a similar board that governs corporate accounting. In that same year, the Legislature enacted a law requiring the state's financial statements to comply with GASB's rules.

To bring governmental accounting standards more into line with those of private companies, GASB has implemented a series of accounting rules, known as statements, concerning governmental liabilities related to retirement benefits. In 2004, GASB released Statement 45 (GASB 45) concerning health and other non-pension benefits for retired public employees. These benefits, collectively, are known as "other postemployment benefits," or OPEB. Retiree health programs are, by far, the most costly of these benefits.

The GASB has no power to change how governments fund retiree health, pension, and other benefits. Instead, the GASB governs the rules that auditors must follow in providing opinions on the reliability of government financial statements.

What Is Required to Comply With GASB 45?

The new accounting rule dramatically increases the amount and quality of information included in government financial reports with respect to retiree health and other retiree benefits. State and local governments—working with their accountants and actuaries—must take a series of steps that include quantifying the unfunded liabilities associated with retiree health benefits. Results of the actuarial valuations must be reported

in government audits and updated regularly. The accounting standard sets deadlines requiring large governments (including the state, most counties, many cities, and some school districts) to comply beginning with release of their 2007-08 financial reports. (The state's financial reports usually are released in February or March following the end of the fiscal year.) Smaller governments will implement GASB 45 in the following two years.

Under GASB 45, government financial statements will list an actuarially determined amount known as an annual required contribution. This contribution, with regard to health and related benefits, is comprised of the following two costs:

- The “normal cost”—the amount that needs to be set aside in order to fund future retiree health benefits earned in the current year.
- Unfunded liability costs—the amount needed to pay off existing unfunded retiree health liabilities over a period of no longer than 30 years.

New Rules Similar to Existing Pension Requirements

Retiree health benefits, like pension benefits, are a form of deferred compensation—that is, compensation earned by employees during their working years, but paid to (or used by) individuals after they retire. Pension systems typically are funded by governments paying normal costs each year—as employees earn this type of deferred compensation—and the funds are invested so that they generate returns and grow until required to be paid to the employees after retirement. This is known as “prefunding,” and pension accounting standards focus on how well retirement systems are prefunded. To the extent that funds set aside each year (with assumed, future investment earnings) are insufficient to cover projected benefit costs, the system has an “unfunded liability.” Retiree health programs now will have accounting standards that are very similar. GASB 45 will result in calculation of an unfunded liability for retiree health programs similar to the comparable figure for pension systems.

For governments that fund retiree health benefits on a pay-as-you-go basis (such as the state), 100 percent of retiree health liabilities will be unfunded. (In contrast, the average state pension system currently has about a 20 percent unfunded liability. Although this unfunded liability totals tens of billions of dollars in the cases of CalPERS and CalSTRS, more than 80 percent of their liabilities have been funded in advance from investment returns and contributions by employees and employers.)

The liabilities for retiree health benefits—like those for pension systems—will be determined by actuaries and accountants based on certain assumptions of future health care cost inflation, retiree mortality, and investment returns. This unfunded liability can be characterized as an

amount which, if invested today, would be sufficient (with future investment returns) to cover the future costs of all retiree health benefits *already earned* by current and past employees.

GASB 45 and Other States

All 50 states offer health benefits to their retirees in some or all age groups. As of 2003, 17 states, including California, covered up to 100 percent of health benefit costs for some retirees. Only 11 states reported any prefunding of retiree health benefits at all (most of these with only a tiny amount of funds set aside). The GASB 45 accounting requirements likely will lead to an increase in the number of states prefunding these benefits. Only a few states have completed the actuarial valuations needed to determine unfunded retiree health and other liabilities, as well as the annual contributions, required by GASB 45. We discuss the status of two states below and corporate responses to similar rules in the nearby box.

Maryland: Considering How to Finance a Large Liability. The State of Maryland—which has a AAA bond rating (the highest possible)—assessed its situation relative to the GASB 45 requirements through a valuation completed in October 2005. The state’s unfunded liability under GASB 45, principally for retiree health benefits, was valued at \$20 billion, or about twice the size of the state’s general fund budget. Maryland currently pays \$311 million per year for retiree health benefits on a pay-as-you-go basis. Maryland’s state workforce and retirees number about one-fourth of California’s, and the state annually pays about one-third of the amount California pays for retiree health benefits. Maryland’s annual retiree health contribution under GASB 45, according to the October 2005 valuation, is just under \$2 billion. (This consists of \$634 million in annual normal costs for retiree health benefits earned each year and more than \$1.3 billion in annual costs to amortize Maryland’s existing unfunded liabilities.)

Ohio: Already Prefunding Some Retiree Health Liabilities. The State of Ohio generally has been recognized as a leader in addressing retiree health liabilities. A portion of public employers’ retirement system contributions is set aside for funding of retiree health care. The system’s actuarial accrued liability for retiree health and similar benefits was pegged at \$19 billion, as of December 31, 2002. The Ohio system already has set aside \$10 billion to fund these benefits, significantly reducing the unfunded portion of the liability that eventually will be reported under GASB 45.

CALIFORNIA’S LIABILITIES: LARGE AND GROWING

As discussed above, the state and many other public entities (in California and elsewhere) have made retiree health benefits an important

part of the overall compensation package offered to government workers. These benefits, however, have become significantly more costly than they used to be.

Corporate America's Retiree Health Liabilities

Sharp Decline in Retiree Health Coverage. Since corporations began to account for retiree health liabilities in 1990 (due to a change in business accounting standards), investors have pressured them either to fund the liabilities or drop the benefits altogether. The percentage of large private U.S. firms offering health benefits to retirees has dropped from about 66 percent in 1988 to about 33 percent in 2005. The trend among California companies has been similar, with 32 percent of large firms here continuing to offer retiree benefits.

Even companies continuing to offer benefits have cut costs in some cases by: imposing caps on the amount they will pay toward retiree health care; increasing copayments, deductibles, and drug costs paid by retirees; aggressively bargaining with health insurers and providers; and making many other changes. Companies also may seek bankruptcy protection to restructure retirement benefits. (Local governments and school districts also can do this under state law.)

General Motors Corporation (GM). The second largest purchaser of employer health benefits in the United States, GM ranks behind the U.S. government and ahead of CalPERS (the third largest purchaser). As of September 2004, GM reported in financial statements that its unfunded retiree health and related liabilities exceeded \$61 billion. Retiree health expenses add significantly to the costs of GM cars and trucks and are believed to have contributed to a decline in the company's finances. Ratings of GM bonds have dropped to junk status, and some have speculated that a bankruptcy filing may be inevitable.

In October 2005, GM and the United Auto Workers (UAW) reached agreement to cut retiree health liabilities by \$15 billion. The company agreed to start a new defined contribution health plan to offset other reductions in the health benefits provided to retired workers. While UAW's rank-and-file employees approved the agreement, implementation awaits a U.S. District Court review of objections from a retiree claiming that UAW lacks the authority to negotiate concessions of retiree health benefits. The retiree claims the benefits are vested contractual rights.

Policy Makers Need Much More Information

Up until recently, policy makers have had little information with which to evaluate key characteristics of retiree health benefit programs. These characteristics include the programs' long-term costs, how benefits compare with the vast array of retiree health plans offered by other governments, and how other public agencies are addressing these costs. The GASB's new accounting rules will result in important new tools for policy makers to use in evaluating retiree health programs.

State Government Liabilities: Likely \$40 Billion to \$70 Billion...Or More

Over the next year or two, actuaries and accountants will be the experts making complex calculations concerning the size of GASB 45 liabilities for the state and local governments. Our educated guess is that unfunded retiree health liabilities for state government will total in the range of \$40 billion to \$70 billion and perhaps more. (This is based on the results of other liability valuations.) The unfunded retiree health liability may exceed the combined unfunded liabilities of CalPERS' and CalSTRS' pension systems—which were \$49 billion, as of June 30, 2004.

Using Maryland's valuation as a potentially comparable example, we can make a rough guess about the state's annual contribution for retiree health benefits, as defined by GASB 45. This amount might be in the range of \$6 billion. This would consist of about \$2 billion in normal costs (the value of retiree health benefits estimated to be earned by current employees each year) and around \$4 billion more in yearly payments to retire the unfunded retiree health liability over 30 years. Compared to the state's current funding of \$1 billion, the normal costs under this scenario would be about twice the amount the state now spends each year for benefits under a pay-as-you-go system.

Other Public Liabilities: Very Large

We expect that UC, most local governments, and school districts also will obtain actuarial valuations of their retiree health liabilities. Combined, their liabilities could exceed those of the state itself, but there will be significant variation among governments. Some local governments and school districts will have relatively small liabilities and others will have very large ones. (The significant liabilities of the school districts in Los Angeles and Fresno, as an example, are discussed in the nearby box.)

State and Other Public Entities Defer Costs to Future Years

Retiree health benefits, like salaries, are earned during an employee's working years. The benefits, however, are paid out after retirement. Unless

enough funds (with assumed, future investment earnings) are set aside to cover normal costs of benefits while an employee is working, future taxpayers pay all or a part of the costs of the employee's health care after retirement.

An Example of Shifting Liabilities to Future Generations. For example, take a state employee earning a \$25,000 salary in 1985. In addition to this salary compensation, the employee was promised in 1985 that the state would pay 100 percent of his or her health benefits during retirement (if the employee worked at least 20 years). The state, however, did not set aside any funds for those future health costs in 1985 or in any year thereafter. If that employee retires this year, taxpayers of today and the future must pay about \$5,000 per year for the employee's retirement health costs. While these benefits were earned doing work for the prior generation of taxpayers, the current generation of taxpayers will bear the financial burden of paying for them. In the same way, today's state workforce is earning future retirement health benefits. While paying for current retirees' health costs, the state is not setting aside any money for future costs. The next generation of taxpayers will be left paying this bill. Because health care costs are rising and retirees are living longer than ever before, the future costs will be much higher than the current \$5,000 per year. In this way, each generation shifts a growing liability to the next generation.

Current Taxpayers Should Pay for Current Expenses. The state (and nearly every other public entity nationwide) does not pay its current (or normal) costs for retiree health benefits each year. Consequently, the state fails to reflect in its budget the true costs of its current workforce. Since 1961, the state has been shifting costs to future taxpayers. The tens of billions of dollars in unfunded liabilities now owed by the state is the result of this approach. For this reason, the pay-as-you-go approach to retiree health care conflicts with a basic principle of public finance—*expenses should be paid for in the year they are incurred*. This principle requires decision makers to be accountable—through current budgetary spending—for the costs of whatever future benefits may be promised.

ADDRESSING RETIREE HEALTH COSTS: RECOMMENDATIONS AND OPTIONS

In this section of the report, we:

- First discuss the need for the Legislature to take action to ensure that the vast amount of information about retiree health liabilities soon to be released under the new accounting rules is disclosed publicly. By doing so, the Legislature will improve the information
-

available to it (and to local and school district leaders) as these issues are considered over the next few years.

- Next, we recommend prefunding retiree health benefits in order to begin addressing the state's massive unfunded liabilities.
- Finally, we discuss a range of options that the Legislature may consider if it wishes to reduce future cost increases in retiree health benefits.

Retiree Health in Two School Districts

Los Angeles Unified School District (LAUSD). The LAUSD is one of the few districts offering comprehensive lifetime health benefits to its retirees. The LAUSD health program covers 32,000 retirees and 18,000 of their family members. The cost to the district is about \$200 million annually.

Like the state, LAUSD pays retiree health benefits on a pay-as-you-go basis. Retiree health benefits have grown from 2.6 percent to 3.9 percent of general fund spending since 2001-02. A July 1, 2004 actuarial valuation pegged the unfunded retiree health liability of the district at \$4.9 billion. Normal costs—the amount needed to keep the liability from growing—were estimated to be \$326 million per year. The actuarial valuation estimated that annual spending of \$529 million would be needed to pay off the unfunded liability within 30 years. Currently, this would raise retiree health expenditures by 8 percent of general fund spending.

Fresno Unified School District (FUSD). The FUSD had an unfunded retiree health and other benefits liability of approximately \$1.1 billion before the district ratified a new agreement with the Fresno Teachers Association in August 2005. Previously, retirees with at least 16.5 years of service received premium-free benefits, which continued as supplemental coverage to Medicare after age 65. The new agreement includes various employee concessions, such as a new requirement for retirees under age 65 to pay the same portion of their benefit costs as active employees—reportedly \$40 to \$80 per month—and a cap on the amount FUSD will pay in the future for benefits.

A group of FUSD retirees has indicated that it may file suit regarding the health benefit changes. The group says it was not invited to participate in negotiations on the new agreement.

More Disclosure and Planning Needed

Currently, the Legislature—and other elected officials throughout the state—lack much of the information needed to develop a concrete, long-term strategy for addressing retiree health care liabilities. We recommend the Legislature take several actions to make information on these liabilities easily accessible to policy makers, researchers, and the public. Legislative actions also should promote efforts by governments to plan for payment of future retiree health costs.

Actuarial Valuation. The State Controller has requested \$252,000 in the 2006-07 *Budget Bill* to obtain a retiree health actuarial valuation for the state, consistent with GASB 45's requirements. The valuation would provide important information for the Legislature on the magnitude of the state's unfunded liabilities and possible funding options. We recommend approving the State Controller's funding request.

Inventory of Retiree Health Liabilities Statewide. As state officials begin the process of evaluating state government's retiree health liabilities, local officials also are beginning the process of complying with GASB 45's requirements. As discussed earlier, GASB 45 will result in government financial statements having information on retiree health liabilities similar to the information already provided for pension systems.

The State Controller already compiles audited reports of state and local pension systems. We believe it would be valuable to have GASB 45 liabilities publicly disclosed in a similar fashion. For this reason, we recommend enactment of legislation requiring governmental entities in California to submit their actuarial valuations to the State Controller. We also recommend that the State Controller be required to post the valuations on the Internet (if governments choose to submit them electronically) and produce a report annually on retiree health liabilities similar to the one produced on the finances of public pension systems. (Any reimbursable state mandated costs under this proposal should be minimal because local governments voluntarily obtain valuations.)

School District Recommendations. For some school districts, the size of retiree health benefit liabilities will be so large that unless steps are taken soon to address the issue, it seems likely that districts will eventually seek financial assistance from the state. For this reason, we reiterate our recommendations in the *Analysis of the 2005-06 Budget Bill* (please see page E-50) that the Legislature require county offices of education (COEs) and school districts to take steps to address school districts' long-term retiree health liabilities. Specifically, we recommend that the Legislature enact legislation to require districts to provide COEs with a plan to address retiree health liabilities. We also recommend that the state's school district fiscal oversight process (the AB 1200 process) be modified to require COEs to review

whether districts' funding of retiree health liabilities adequately covers likely costs. We will discuss this issue further in the Education chapter of the upcoming *Analysis of the 2006-07 Budget Bill*.

UC Recommendations. The UC, independently of the state, negotiates with its employees concerning compensation and retirement benefits. Historically, the Legislature has opted to appropriate funds to UC to cover increased health benefits costs. Like the state, UC is expected to release its own retiree health valuation (under the terms of GASB 45) by 2008. We recommend that the Legislature request UC—upon completion of the valuation—to propose a long-term plan for addressing unfunded retiree health liabilities. Such a plan would provide the Legislature with information regarding the long-term costs of the existing benefits and any measures UC plans to take to lower these costs. Upon receipt of such a plan, the Legislature would be in a much better position to consider whether additional General Fund resources should be provided to address any portion of UC's future retiree health costs.

Recommend Creation of Working Group on State Retiree Health Funding. Just as we recommend increased planning and disclosure by school districts and UC, we also recommend the state plan for how it might fund retiree health benefits in the future. Consequently, we recommend that the Legislature establish a working group—consisting of representatives from key state agencies—to advance the state's planning. Tasks for this working group might include consideration of and recommendations concerning: the types of prefunding vehicles available under state law and federal tax law, possible choices for a state agency or other entity to manage these funds, investment guidelines, the viability of issuing bonds to reduce retiree health liabilities, strategies to increase the funding for retiree health benefits paid from federal funds, and options to reduce state costs.

We would suggest that the working group provide an interim report to the Legislature on these subjects by January 1, 2008 and a final report by January 1, 2010—following its consideration of the state's first actuarial valuation. In considering the valuation, the working group should review the actuarial assumptions used (for health care inflation and retiree mortality, for example). Rosy assumptions about future health care inflation or investment return could result in a valuation that understates the true magnitude of state liabilities by tens of billions of dollars. For this reason, in its final report, the working group should be required to provide its opinions to the Legislature on the valuation's overall reliability, considering the actuarial assumptions that are used.

Funding Retiree Health Benefits

As discussed above, the state (and almost all other governmental entities in California) pays for the health benefits of retired employees on

a pay-as-you-go basis. This means that retiree health services are funded when retirees use them. The alternative is to prefund benefits.

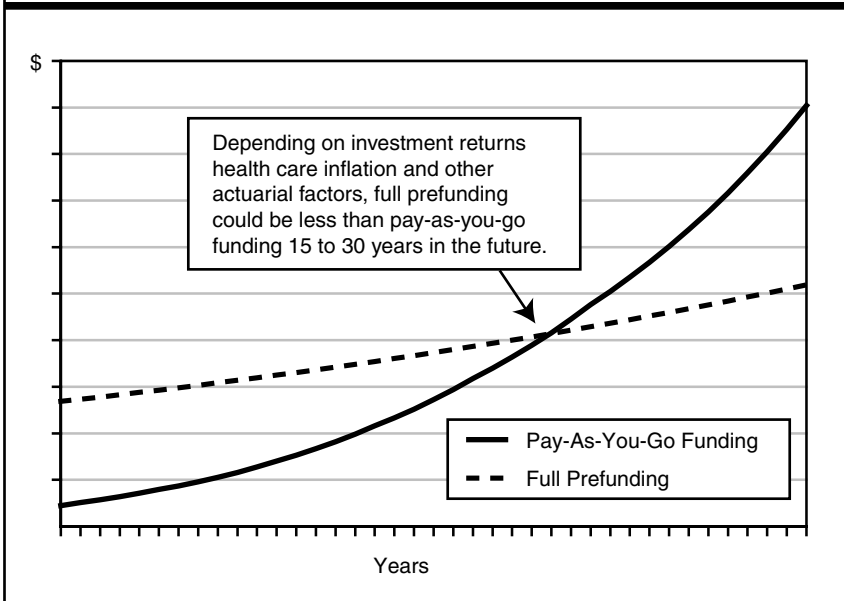
If the state and other governments were starting from scratch today and offering retiree health benefits for the first time, prefunding could be accomplished by paying the normal costs each year—the estimated amount that needs to be set aside and invested to pay for health services after employees enter retirement. However, since the state and other governments have offered these benefits for decades and have not set aside funds, they would have to pay considerably more to fully prefund all benefits. As noted previously, GASB 45 requires the calculation of a full prefunding annual contribution consisting of: (1) estimated normal costs and (2) an amount needed to retire the unfunded liability for unpaid past normal costs within 30 years.

Prefunding Is the Approach Used for Pension Systems. Prefunding is the approach the state uses for its current pension systems. The board of CalPERS, for example, requires the state to pay an amount each year that is set aside and invested to prefund future retiree benefits. This annual amount paid to CalPERS is similar to the full prefunding annual contribution that will be calculated under GASB 45.

There is virtually no dispute that prefunding is the best way to fund a pension system. The Legislature—and California’s voters—have mandated a prefunding policy for state employee pensions for decades. In 1947, the Legislature adopted a prefunding policy for state employee pensions. At that time, the Legislature enacted laws that began to require actuarially determined contributions to the Public Employees’ Retirement Fund. In 1972, the Legislature passed a statute that began to prefund CalSTRS pension benefits under a long-range plan.

Reasons to Prefund Retiree Health Benefits. As noted earlier, a pay-as-you-go approach to funding retiree health benefits is problematic in that it shifts current costs to future taxpayers. The alternative—prefunding benefits—not only avoids this problem, but also results in the following:

- ***More Economical Over Time.*** Over the long term, investment earnings would supplement state and any employee or retiree contributions for retiree health costs. This would allow the state to pay for a given level of benefits with fewer budgetary resources and retire unfunded liabilities for retiree health care. Figure 9 illustrates the long-term benefits of fully prefunding retiree health benefits by contributing the full annual contributions (normal costs and costs to retire unfunded liabilities) specified by GASB 45. Paying more now can dramatically reduce costs over the long term.
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Figure 9**Hypothetical Prefunding Scenario**

- ***Helps Secure the Benefits Expected by Employees.*** Prefunding creates a pool of assets with which to support future benefits that public employees expect to receive. These assets would strengthen the state's ability to provide these benefits over the long term.
- ***Contributes to Higher Bond Ratings.*** Bond rating agencies, whose evaluations help determine the interest rates paid on state debt, monitor the funding status of the retiree health program. There is no indication that rating agencies will rush to downgrade ratings once GASB 45 reveals large retiree health liabilities. However, unfunded pension and retiree health obligations are viewed by bond analysts as similar to debt. For rating agencies and bond investors, more debt can be a negative consideration. As more states and local governments address retiree health liabilities, rating agencies may compare those governments that have acted with others that have not.

Partially Prefunding Retiree Health Benefits Is an Option. As noted earlier, our rough guess of the state's cost for full prefunding under GASB 45 is in the range of \$6 billion annually. That amount would cover the future costs of today's employees, plus pay off the state's unfunded liability over 30 years. Clearly, given the state's budget situation, immediately moving to this level of funding is unrealistic. Another option is funding part of

the GASB 45 annual contribution. *Any* amount of prefunding reduces the exposure of the state to future increases in health costs. Investment earnings from funds set aside today would help reduce future budget pressures.

LAO Recommendation. For the reasons discussed above, we recommend that the Legislature—after receiving the state’s actuarial valuation—begin partially prefunding retiree health benefits. Recognizing the state’s current fiscal condition, we recommend that the state ramp up to an increased level of contributions over a period of several years. The near-term target should be the state’s normal cost level under GASB 45—the amount estimated to cover the cost of future retiree health benefits earned each year by current employees. This amount might be in the range of about \$1 billion above what the state spends under the current pay-as-you-go approach. Funding a minimum of the normal cost each year would help reduce the burden of future taxpayers to pay for benefits earned today. Over the much longer term, the state could then begin to address the unfunded liability that has been accumulated over the past half century.

Options to Reduce Future Retiree Health Costs

The Legislature and other public policy makers—confronted with an accurate accounting of the long-term costs of retiree health benefits under GASB 45—may wish to consider options to reduce costs. In this section, we discuss such options. Some options would allow continuation of current benefit levels, but perhaps require that employees or retirees bear more of the costs of the benefits. Other options involve reduced benefits.

Whether the Legislature would want to pursue these options would depend on a variety of factors, such as: (1) the desired level of compensation provided to state employees, (2) the amount of the unfunded liability, and (3) other funding priorities. Consequently, at this point, we make no recommendations as to these options.

For Current and Past Employees, Options May Be Limited. The ability of companies and governments to cut retiree health benefits for current and past workers is an evolving area of law, according to sources we consulted during our research. To the extent that the state has promised employees—in statute, collective bargaining agreements, or elsewhere—that it will pay a portion of their health care during retirement as deferred compensation, these benefits may be a vested contractual right of the employee, just as pensions are. The Legislature may have little or no ability to unilaterally alter such vested benefits.

For Future Employees, Extensive Options. The Legislature has much more extensive options within the law to reduce or alter retiree health benefits for employees that begin state service in the future. There are many such options, including:

- Changing the current 100/90 formula for retiree health benefits for future hires and their dependents.
- Increasing the share of retiree health benefit costs paid by employees (during their working years) and retirees (through premiums, copayments, deductibles, and similar mechanisms).
- Raising the number of years required to vest in retiree health benefits.
- Establishing a defined contribution program, to which the state would agree to contribute a set amount of money. This would eliminate the risk of unfunded state liabilities, but shift financial risk to retirees.

These types of actions would reduce the state's normal costs for retiree health benefits. Reducing benefits for future hires, however, would not change the unfunded liability already incurred for current and past state employees. Moreover, if the state continued paying for retiree health benefits on a pay-as-you-go basis, changing benefits for future hires would only result in savings decades into the future.

Reducing state costs by taking the types of actions discussed above may create a "two tier" system of retiree benefits (where one group of state retirees receives a richer benefit package than the other). Such systems can be difficult to administer and can cause conflicts between groups of employees and retirees. In addition, since providing retiree health benefits has been an important component of the state's compensation package for its employees, actions to significantly reduce these benefits could affect the state's ability to recruit and retain employees in the future without offsetting compensation increases.

CONCLUSION

Unfunded retiree health care liabilities of the state and other public agencies in California are significant, and over the next several years, these liabilities will be quantified by actuaries and accountants pursuant to GASB 45. Because of the recent, rapid rise of health care costs, this category of state liabilities has been growing very rapidly in recent years. Figure 10 (next page) summarizes our recommendations for the Legislature to develop a strategy that will begin to address these unfunded liabilities and reduce costs imposed upon future taxpayers.

Figure 10**Summary of LAO Findings and Recommendations
On Retiree Health Liabilities****Unfunded Liabilities**

State government retiree health liabilities are likely \$40 billion to \$70 billion and perhaps more.

Combined liabilities for the University of California (UC), local governments, and school districts could exceed those of state government.

**More Disclosure and Planning**

Recommend approving State Controller's request for \$252,000 in 2006-07 to obtain a retiree health actuarial valuation for the state, consistent with GASB 45.

Recommend requiring public entities choosing to obtain valuations to submit them to the State Controller.

Recommend requiring State Controller to report on retiree health benefits, costs, and liabilities statewide.

Recommend requiring school districts to develop plans to address retiree health liabilities.

Recommend requesting UC to propose a plan to address its retiree health liabilities.

Recommend establishing state working group to report to the Legislature on options for funding and reducing costs of retiree health benefits.

**Funding Retiree Health Benefits**

Recommend beginning to partially prefund retiree health benefits after receipt of state's retiree health actuarial valuation, ramping up to an increased level of contributions over several years.

**Options to Reduce Future Retiree Health Costs**

Extensive options exist to reduce costs for state employees hired in the future.

For costs related to current and past employees, options may be limited.

Item VI

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State of California

M e m o r a n d u m

To: Budget and Efficiency Committee

Date: June 6, 2006

From: Paul Riches

Telephone: (916) 574-7840

Subject: Awarding CE Credits for Board Meetings

Background

Marriage and Family Therapists and Licensed Clinical Social Workers are required to complete 36 hours of continuing education in each 2 year renewal cycle. Pending legislation will also require most Licensed Educational Psychologists to complete continuing education as well. At the last committee meeting it was suggested that the board offer continuing education credits for attending board meetings.

Proposed Continuing Education Policy

Staff recommends allowing board licensees to receive 6 hours of continuing education credit for attending a full day board meeting. Licensees would be allowed to receive credit for attending one board meeting in each 2 year renewal cycle. In order to receive the CE credit from the board, the licensee would be required to sign in and sign out to verify attendance. Board staff would mail out certificates of completion within 30 days of the board meeting. Board members would not be eligible to receive continuing education credits for attending board meetings.

This policy is expected to increase attendance at board meetings.

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Item VII

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Memorandum

To: Budget and Efficiency Committee

Date: June 7, 2006

From: Lorie Kiley, CE and Cashier Unit Analyst

Telephone: (916) 574-7856

Subject: Justification for PCE Delinquent Fee

Background

Upon receipt of a completed application, fee and approval, a continuing education provider is issued an initial approval certificate valid for two years. The provider must renew the approval number on or before the expiration date of the approval or it will be canceled.

(B&P Code § 1887.7(c))

Issue

The board has received many complaints about the rigid provider approval cancellation regulation, and requests for the option of renewing with a delinquent fee instead of going through the entire initial application process again.

A survey of the department's health and healing boards indicates that the only board that issues renewable provider approval is the Board of Registered Nursing. The delinquent fee for their providers is \$100 (1/2 the renewal fee), and if they do not renew within 2 years of their expiration date, *then* their approval number is cancelled. The other boards surveyed either don't approve providers, or do not allow renewal of provider approval.

Out of the first 400 providers who let their approval number expire, 28% reapplied for a new provider number, and 4% allowed their approval number to expire again and reapplied a 2nd time for a 3rd PCE number.

Recommendation

My recommendation is to amend the regulations 1816.7 and 1887.7(c) to allow a provider two years from their expiration date to renew their approval number with the added \$100 delinquent fee before cancellation.

My research indicates that this will decrease the amount of applications to be evaluated, phone calls, correspondence and overall workload on the CE desk.

Attachments

Proposed Language

Board of Behavioral Sciences

Proposed Language

Title 16, California Code of Regulations, Sections 11816.7, 1887.7, 1887.75, and 1887.77

Amend

§1816.7 Delinquent-License Fees

(a) The delinquency fee for the marriage and family therapist license shall be sixty-five dollars (\$65.00) except for the period of time in subsection ~~(d)~~ (e).

(b) The delinquency fee for the licensed clinical social worker license shall be fifty dollars (\$50.00) except for the period of time in subsection ~~(e)~~ (f).

(c) The delinquency fee for the licensed educational psychologist license shall be sixty-five dollars (\$65.00) except for the period of time in subsection ~~(f)~~ (g).

(d) The delinquency fee for the continuing education provider approval shall be one hundred dollars (\$100).

~~(d)~~ (e) For the Period of January 1, 2001 through December 31, 2002, the delinquency fee for the marriage and family therapist license shall be twenty-five dollars (\$25.00).

~~(e)~~ (f) For the Period of January 1, 2001 through December 31, 2002, the delinquency fee for the licensed clinical social worker license shall be twenty-five dollars (\$25.00).

~~(f)~~ (g) For the Period of January 1, 2001 through December 31, 2002, the delinquency fee for the licensed educational psychologist license shall be twenty-five dollars (\$25.00).

Amend

§1887.7 Board Approved Providers

(a) A continuing education provider must meet the board's course content and instructor qualification criteria, as provider under this article, to qualify to become a board- approved provider.

(b) A continuing education provider shall submit a completed Continuing Education Provider Application (Form no. 37A-633, new 5/97) hereby incorporated by reference, remit the appropriate fees, and obtain a continuing education provider number from the board to become a board-approved provider.

(c) A provider may not apply for a new provider number within one year of its expiration unless the provider has undergone a change of ownership.

~~(c)~~ (d) A provider approval issued under this section shall expire on the last day of the twenty-fourth month after the approval issue date. To renew an unexpired provider approval, the provider shall on or before the expiration date of the approval, pay the two-year renewal fee set forth in Section 1816.

~~A provider approval which is not renewed by the expiration date may not be renewed, restored, reinstated, or reissued thereafter, but the provider may apply for a new approval.~~

~~(d)~~ (e) Board-approved provider status is non-transferable.

Add

§1887.75 Renewal of Expired Approval

A provider approval that has expired may be renewed at any time within 1 year after its expiration upon filing an application for renewal on a form prescribed by the board and payment of the renewal fee in effect on the last regular renewal date and the delinquency fee prescribed by this chapter.

Add

§1887.77 Time Limit for Renewal of Approval After Expiration; New Approval

A provider approval that is not renewed within one year of its expiration date may not be renewed, reinstated, or reissued thereafter, but the provider may apply for and obtain a new approval if:

(a) No fact, circumstance, or condition exists that, if the approval were issued, would justify its revocation.

(b) Applicant pays the fees that would be required if applying for approval for the first time.

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Item VIII

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Memorandum

To: Budget and Efficiency Committee

Date: June 13, 2006

From: Christy Berger
Legislation Analyst

Telephone: (916) 574-7847

Subject: Report and Possible Action on Revising Fee Statutes and Regulations

Background

A number of legislative and regulatory changes related to fees, including renewals and inactive licensure, are proposed in the attached document. None of the proposed changes are substantive. The purpose of the changes are to either restructure sections or make text revisions in order to:

- Provide clarity
- Improve structure and order
- Provide consistency across the practice acts
- Remove duplicative, outdated, or unnecessary language

The goal is to ensure that the structure and text is user-friendly for staff, applicants, licensees, and registrants.

Discussion

Fees

In the board's statutes, fees are often specified in sections other than the "Fee Schedule" in statute. It is proposed that all fees to be listed in the "Fee Schedule" for easy reference, and that the fees be listed in a more logical order, such as intern-related fees first, license-related fees later, and miscellaneous fees last.

Because certain applications and fees have similar names, staff proposes renaming the "examination application fee" to "examination eligibility fee." This fee accompanies the *Application for State License* which staff plans to rename *Application for Examination Eligibility* to better reflect the purpose of the application. Once an applicant passes the examination(s) he or she must submit an *Application for Initial License Issuance*.

Finally, a statement has been added to the fee schedule to ensure clarity regarding who is subject to a renewal delinquency fee.

Renewals and Inactive License

The proposed language pertaining to renewals is focused on improving organization, clarification, and consistency throughout the license types. Renewal language is sometimes a part of a section that is otherwise not pertinent to renewal. Clarity and structure would be improved by having discrete sections for each type of renewal situation, such as a license that is current, a license that has expired, and a license that has been cancelled, as the requirements for renewal are different in each situation.

The text of renewal requirements are also proposed to be revised in order to clarify the steps required to renew. For example, when a license is cancelled because it has been allowed to lapse for five or more years, a person must take steps that are similar to a person who is obtaining a license for the first time. All such steps are proposed to be listed, such as submitting a fee for the issuance of an initial license. This fee is required in order for anybody to obtain a license, but is not specified in this section.

Inactive license requirements have been revised for consistency with the proposed Licensed Educational Psychologist (LEP) language currently in the legislature, which we believe will improve the statute's structure and readability. Additionally, the maximum fee required to renew an inactive license as well as the fee for renewal of a delinquent inactive license is proposed to be added.

Proposed Action

The Committee recommend the proposed statutory and regulatory changes to the full Board.

Attachment

Board of Behavioral Sciences: Proposed Language: Fees, Renewals, and Inactive Licenses

Attachment A

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**BOARD OF BEHAVIORAL SCIENCES
PROPOSED LANGUAGE
Fees, Renewals, and Inactive Licenses
Business and Professions Code and Title 16, California Code of Regulations**

MFT

Amend §4980.44.

- (a) An unlicensed marriage and family therapist intern employed under this chapter shall:
- (1) Have earned at least a master's degree as specified in Section 4980.40.
 - (2) Be registered with the board prior to the intern performing any duties, except as otherwise provided in subdivision (e) of Section 4980.43.
 - ~~(3) File for renewal of registration annually for a maximum of five years after initial registration with the board.¹ Renewal of registration shall include filing an application for renewal,² paying a renewal fee of seventy-five dollars (\$75),³ and notifying the board whether he or she has been convicted, as defined in Section 490, of a misdemeanor or felony, or whether any disciplinary action has been taken by any regulatory or licensing board in this or any other state, subsequent to the issuance of the initial registration or the registrant's last renewal.⁴~~
 - (3) (4) Inform each client or patient prior to performing any professional services that he or she is unlicensed and under the supervision of a licensed marriage and family therapist, licensed clinical social worker, licensed psychologist, licensed physician certified in psychiatry by the American Board of Psychiatry and Neurology.
 - ~~(4) (5) Continued employment as an unlicensed marriage and family therapist intern shall cease after six years unless the requirements of subdivision (b) are met.⁵ No registration shall be renewed or reinstated beyond the six years from initial issuance the last day of the month during which it was issued regardless of whether it has been revoked.⁶~~
 - (b) When no further renewals are possible, an applicant may apply for and obtain new intern registration status if the applicant meets the educational requirements for registration in effect at the time of the application for a new intern registration. An applicant who is issued a subsequent intern registration pursuant to this subdivision may be employed or volunteer in all allowable work settings except private practice.

Add: §4983.90 INTERN RENEWAL

- (a) The marriage and family therapist intern registration shall expire one year from the last day of the month in which it was issued.⁷
- (b) To renew a registration, the registrant shall, on or before the expiration date of the registration, do all of the following:⁸
- (1) Apply for a renewal on a form prescribed by the board.⁹
 - (2) Pay a renewal fee prescribed by the board.¹⁰
 - (3) Notify the board whether he or she has been convicted, as defined in Section 490, of a misdemeanor or felony, or whether any disciplinary action has been taken by any regulatory or licensing board in this or any other state, subsequent to the registrant's last renewal.¹¹

¹ Moved to § 4983.90 (c) and revised for clarity

² Moved to § 4983.90 (b)(1).

³ Moved to § 4984.7.

⁴ Moved to § 4983.90 (b)(3).

⁵ Duplicates § 4980.44(a)(2)

⁶ Revised for clarity.

⁷ Added for consistency with LCSW associates, § 4996.18(b). Currently in regulation, Title 16, CCR § 1846.

⁸ Moved from § 4980.44(a)(3) and revised for clarity.

⁹ Moved from § 4980.44(a)(3) and revised for clarity.

¹⁰ Moved from § 4980.44(a)(3) and revised (fees moved to 4984.7).

(c) The registration may be renewed a maximum of five times.¹²

§4984.

(a) Licenses issued under this chapter shall expire no more than 24 months after the issue date. The expiration date of the original license shall be set by the board.

(b) To renew an unexpired license, the licensee, on or before the expiration date of the license, shall do all of the following:

(1) Apply for a renewal on a form prescribed by the board.

(2) Pay a two-year renewal fee prescribed by the board.

(3) Certify compliance with the continuing education requirements set forth in Section 4980.54.

(4) Notify the board whether he or she has been convicted, as defined in Section 490, of a misdemeanor or felony, or whether any disciplinary action has been taken by any regulatory or licensing board in this or any other state, subsequent to the licensee's last renewal.

Amend §4984.1.

~~A license that has expired may be renewed at any time within five years after its expiration on filing an application for renewal on a form prescribed by the board and payment of the renewal fee in effect on the last regular renewal date. If the license is renewed after its expiration, the licensee, as a condition precedent to renewal, shall also pay the delinquency fee prescribed by this chapter.~~

A licensee may renew a license at any time within five years after its expiration date by taking all of the actions described in Section 4984(b) and paying any delinquency fees.¹³

Amend §4984.4.

A license that is not renewed within five years after its expiration may not be renewed, restored, reinstated, or ~~reissued thereafter, but~~ reissued; however, the licensee may apply for and obtain a new license if he or she satisfies all of the following requirements:

(a) No fact, circumstance, or condition exists that, if the license were issued, would ~~justify its~~ constitute grounds for revocation or suspension.

(b) ~~He or she pays the fees that would be required if he or she were applying for a license for the first time. He or she submits an application for examination examination eligibility and the required fees.~~¹⁴

(c) He or she takes and passes the current licensing examinations ~~as specified in subdivision (g) of Section 4980.40.~~¹⁵

(d) He or she submits the fee for initial license issuance.¹⁶

Amend §4984.7.

~~The amount of the fees prescribed by this chapter that relate to licensing of persons to engage in the business of marriage and family therapy is that established by the following schedule:~~¹⁷

¹¹ Moved from § 4980.44(a)(3).

¹² Moved from § 4980.44(a)(3) and revised for clarity.

¹³ Fee moved from § 4984.7(d). Continuing education-authority §4980.54(c)(2)).

¹⁴ Added for clarification and changed to reflect the new application title.

¹⁵ Deleted – not necessary.

¹⁶ Added for clarification.

¹⁷ Moved to (a) and revised for clarity.

~~(a) The fee for applications for examination received on or after January 1, 1987, shall be one hundred dollars (\$100).¹⁸~~

~~(b) The fee for issuance of the initial license shall be a maximum of one hundred eighty dollars (\$180).¹⁹~~

~~(c) For those persons whose licenses expires on or after January 1, 1996, the renewal fee shall be a maximum of one hundred eighty dollars (\$180).²⁰~~

~~(d) The delinquency fee shall be ninety dollars (\$90).²¹ Any person who permits his or her license to become delinquent may have it restored only upon the payment of all fees that he or she would have paid if the license had not become delinquent, plus the payment of any and all outstanding delinquency fees.²²~~

~~(e) For those persons registering as interns on or after January 1, 1996, the registration fee shall be seventy-five dollars (\$75).²³~~

~~(f) For those persons whose registration as an intern expires on or after January 1, 1996, the renewal fee shall be seventy-five dollars (\$75).²⁴~~

~~(g) The standard written examination fee shall be one hundred dollars (\$100).²⁵ After successfully passing the standard written examination, each applicant for the clinical vignette examination shall submit one hundred dollars (\$100).²⁶ Applicants failing to appear for any examination, once having been scheduled, shall forfeit any examination fees paid.²⁷ Effective January 1, 2005, the examination fees for the standard written and clinical vignette written examinations shall be based on the actual cost to the board of developing, purchasing, and grading of each examination, plus the actual cost to the board of administering each examination. The written examination fees shall be adjusted periodically by regulation to reflect the actual costs incurred by the board.²⁸~~

~~(h) An applicant who fails any standard or clinical vignette written examination may within one year from the notification date of that failure, retake the examination as regularly scheduled without further application upon payment of one hundred dollars (\$100) for the written reexamination and one hundred dollars (\$100) for the clinical vignette written reexamination the required fees.²⁹ Thereafter, the applicant shall not be eligible for further examination until he or she files a new application, meets all current requirements, and pays all fees required. Persons failing to appear for the reexamination, once having been scheduled, shall forfeit any reexamination fees paid.³⁰~~

~~(i) The fee for rescoring any written examination shall be twenty dollars (\$20).³¹~~

~~(j) The fee for issuance of any replacement registration, license, or certificate shall be twenty dollars (\$20).³²~~

~~(k) The fee for issuance of a certificate or letter of good standing shall be twenty-five dollars (\$25).³³~~

~~With regard to all license, examination, and other fees, the board shall establish fee amounts at or below the maximum amounts specified in this chapter.~~

(a) The board shall assess the following fees relating to the licensure of marriage and family therapists:

(1) The application fee for an intern registration shall be seventy-five dollars (\$75).³⁴

¹⁸ Moved to (a)(3), updated and clarified the purpose of the fee.

¹⁹ Moved to (a)(6) and revised for clarity.

²⁰ Moved to (a)(7) and updated.

²¹ Moved to (a)(9), revised to clarify that it pertains to licenses.

²² Moved to § 4984.1.

²³ Moved to (a)(1)

²⁴ Moved to (a)(2) and updated

²⁵ Moved to (a)(4)

²⁶ Moved to (a)(4).

²⁷ Moved to (a)(4)(A).

²⁸ Moved to (a)(4)(B).

²⁹ All fees are specified in the fee schedule.

³⁰ Deleted. Duplicates § 4984.7(a)(4)(A).

³¹ Moved to (a)(5).

³² Moved to (a)(10).

³³ Moved to (a)(11).

³⁴ Moved from (e)

(2) The renewal fee for an intern registration shall be seventy-five dollars (\$75).³⁵

(3) The fee for the application for examination eligibility shall be one hundred dollars (\$100).³⁶

(4) The fee for the standard written examination shall be one hundred dollars (\$100). The fee for the clinical vignette examination shall be one hundred dollars (\$100).³⁷

(A) Applicants failing to appear for an examination, once having been scheduled, shall forfeit the examination fee.³⁸

(B) Examination fees shall be based on the actual cost to the board of developing, purchasing, and grading each examination, plus the actual cost to the board of administering each examination. The examination fees shall be adjusted periodically by regulation to reflect the actual costs incurred by the board.³⁹

(5) The fee for rescoring an examination shall be twenty dollars (\$20).⁴⁰

(6) The fee for issuance of an initial license shall be a maximum of one hundred eighty dollars (\$180).⁴¹

(7) The fee for license renewal shall be a maximum of one hundred eighty dollars (\$180).⁴²

(8) The fee for inactive license renewal shall be ninety dollars (\$90).⁴³

(9) The renewal delinquency fee shall be a maximum of ninety dollars (\$90). A person who permits his or her license to expire is subject to the delinquency fee.⁴⁴

(10) The fee for issuance of a replacement registration, license, or certificate shall be twenty dollars (\$20).⁴⁵

(11) The fee for issuance of a certificate or letter of good standing shall be twenty-five dollars (\$25).⁴⁶

(b) With regard to all license, examination, and other fees, the board shall establish fee amounts at or below the maximum amounts specified in this chapter.

Amend §4984.8.

~~A licensed marriage and family therapist may apply to the board to request that his or her license be placed on inactive status.⁴⁷ A licensee who holds an inactive license shall pay a biennial fee of half of the active renewal fee and shall be exempt from continuing education requirements specified in Section 4980.54,⁴⁸ but shall otherwise be subject to this chapter and shall not engage in the practice of marriage and family therapy in this state.⁴⁹ A licensee on inactive status who has not committed any acts or crimes constituting grounds for denial of licensure may, upon his or her request, have his or her license to practice marriage and family therapy placed on active status.⁵⁰ A licensee requesting his or her license to be placed on active status at any time between a renewal cycle shall pay the remaining half of the renewal fee.⁵¹ A licensee requesting to reactivate from an inactive status whose license will expire less than one year from the date of the request shall be required to complete 18 hours of continuing education for license renewal.⁵² A licensee requesting to reactivate from an~~

³⁵ Moved from § § 4980.44(a)(3) and 4984.7(f)

³⁶ Moved from (a) and changed to reflect the new application title.

³⁷ Moved from (g)

³⁸ Moved from (h)

³⁹ Moved from (g)

⁴⁰ Moved from (i)

⁴¹ Moved from (b)

⁴² Moved from (c)

⁴³ Added to clarify maximum fee in alignment with § 4984.8 (inactive license renewal is half of the active renewal fee)

⁴⁴ Moved from (d)

⁴⁵ Moved from (j)

⁴⁶ Moved from (k)

⁴⁷ Moved to (a)

⁴⁸ Moved to (c)

⁴⁹ Moved to (b)

⁵⁰ Moved to (d)

⁵¹ Moved to (d)(1)

⁵² Moved to (d)(2)

~~inactive status whose license will expire more than one year from the date of the request shall be required to complete 36 hours of continuing education for license renewal.~~⁵³

(a) A licensee may apply to the board to request that his or her license be placed on inactive status.

(b) A licensee on inactive status shall be subject to this chapter and shall not engage in the practice of marriage and family therapy in this state.

(c) A licensee who holds an inactive license shall pay a biennial fee of half of the standard renewal fee and shall be exempt from continuing education requirements.

(d) A licensee on inactive status who has not committed an act or crime constituting grounds for denial of licensure may, upon request, restore his or her license to practice marriage and family therapy to active status.

(1) A licensee requesting his or her license be placed on active status between renewal cycles shall pay the remaining one-half of his or her renewal fee.

(2) A licensee requesting to restore his or her license to active status, whose license will expire less than one year from the date of the request, shall complete 18 hours of continuing education as specified in Section 4980.54.

(3) A licensee requesting to restore his or her license to active status, whose license will expire more than one year from the date of the request, shall complete 36 hours of continuing education as specified in Section 4980.54.⁵⁴

⁵³ Moved to (d)(3)

⁵⁴ Entire section restructured and revised for clarity.

LCSW

Amend §4996.3.

~~(a) Each application for the standard written examination received on or after January 1, 1999, shall be accompanied by an application fee of one hundred dollars (\$100)⁵⁵ and a fee of up to one hundred fifty dollars (\$150), including the standard written examination fee⁵⁶ and related administrative costs for the standard written examination.⁵⁷ After successfully passing the standard written examination, each applicant shall submit one hundred dollars (\$100) for the clinical vignette written examination.⁵⁸ Applicants failing to appear for any examination, once having been scheduled, shall forfeit any examination fees paid.⁵⁹ Effective January 1, 2005, the examination fees for the standard written and clinical vignette written examinations shall be based on the actual cost to the board of developing, purchasing, and grading of each examination, plus the actual cost to the board of administering each examination. The written examination fees shall be adjusted periodically by regulation to reflect the actual costs incurred by the board.~~

~~(b) The fee for rescoring any written examination shall be twenty dollars (\$20).⁶⁰~~

~~(c) The fee for issuance of the initial license shall be a maximum of one hundred fifty-five dollars (\$155).⁶¹~~

~~(d) With regard to all license, examination, and other fees, the board shall establish fee amounts at or below the maximum amounts specified in this chapter.~~

- (a) The board shall assess the following fees relating to the licensure of clinical social workers:
- (1) The application fee for registration as an associate clinical social worker shall be ninety dollars (\$90).⁶²
 - (2) The fee for renewal of an associate clinical social worker registration shall be seventy-five dollars (\$75).⁶³
 - (3) The application fee for extension of an associate clinical social worker registration shall be fifty dollars (\$50).⁶⁴
 - (4) The fee for application for examination eligibility shall be one hundred dollars (\$100).⁶⁵
 - (5) The fee for the standard written examination shall be a maximum of one hundred fifty dollars (\$150). The fee for the clinical vignette examination shall be one hundred dollars (\$100).⁶⁶
 - (A) Applicants failing to appear for any examination, once having been scheduled, shall forfeit any examination fees paid.⁶⁷
 - (B) Examination fees shall be based on the actual cost to the board of developing, purchasing, and grading of each examination, plus the actual cost to the board of administering each examination. The written examination fees shall be adjusted periodically by regulation to reflect the actual costs incurred by the board.
 - (6) The fee for rescoring an examination shall be twenty dollars (\$20).⁶⁸
 - (7) The fee for issuance of an initial license shall be a maximum of one hundred fifty-five dollars (\$155).⁶⁹

⁵⁵ Moved to (a)(4), updated and renamed to clarify the purpose of the fee.

⁵⁶ Moved to (a)(5).

⁵⁷ Reflected in (a)(5)(B)

⁵⁸ Moved to (a)(5)

⁵⁹ Moved to (a)(5)(A)

⁶⁰ Moved to (a)(6)

⁶¹ Moved to (a)(7)

⁶² Moved from § 4996.18(a)

⁶³ Moved from § 4996.18(b)

⁶⁴ Moved from § 4996.18(c)

⁶⁵ Moved from § 4996.3(a), language clarified and changed to reflect the new application title.

⁶⁶ Moved from § 4996.3(a) and language clarified

⁶⁷ Moved from § 4996.3(a)

⁶⁸ Moved from § 4996.3(b)

⁶⁹ Moved from § 4996.3(c)

(8) The fee for license renewal shall be a maximum of one hundred fifty-five dollars (\$155).⁷⁰

(9) The fee for renewal of an inactive license shall be a maximum of seventy-seven dollars and fifty cents (\$77.50).⁷¹

(10) The renewal delinquency fee shall be seventy-five dollars (\$75).⁷² A person who permits his or her license to expire is subject to the delinquency fee.

(11) The fee for issuance of any replacement registration, license, or certificate shall be twenty dollars (\$20).⁷³

(12) The fee for issuance of a certificate or letter of good standing shall be twenty-five dollars (\$25).⁷⁴

(b) With regard to all license, examination, and other fees, the board shall establish fee amounts at or below the maximum amounts specified in this chapter.

Amend §4996.4.

~~Notwithstanding Section 4996.3, an applicant who has failed any standard or clinical vignette written examination may apply for reexamination upon payment of the fee of up to one hundred fifty dollars (\$150) including the examination fee and related administrative costs.⁷⁵ An applicant who fails any standard or clinical vignette written examination may within one year from the notification date of failure, retake that examination as regularly scheduled, without further application, upon payment of the required examination fees. Thereafter, the applicant shall not be eligible for further examination until he or she files a new application, meets all current requirements, and pays all fees required. Applicants failing to appear for reexamination, once having been scheduled, shall forfeit any reexamination fees paid.⁷⁶~~

Add: § 4996.52 ASSOCIATE RENEWAL

(a) The associate clinical social worker registration shall expire one year from the last day of the month during which it was issued.⁷⁷

(b) To renew a registration, the registrant shall, on or before the expiration date of the registration, do all of the following:

(1) Apply for a renewal on a form prescribed by the board.

(2) Pay a renewal fee prescribed by the board.

(3) Notify the board whether he or she has been convicted, as defined in Section 490, of a misdemeanor or felony, or whether any disciplinary action has been taken by any regulatory or licensing board in this or any other state, subsequent to the registrant's last renewal.⁷⁸

(c) The registration may be renewed a maximum of five times.⁷⁹

⁷⁰ Moved from § 4996.6(a)

⁷¹ Added in accordance with § 4997 (inactive license renewal fee - half of the active renewal fee).

⁷² Moved from § 4996.6(d)

⁷³ Moved from § 4996.6(g)

⁷⁴ Moved from § 4996.6(h)

⁷⁵ Fee for reexamination same as fee for examination.

⁷⁶ Deleted. Same as § 4996.3(a)(5)(A).

⁷⁷ Moved from § 4996.18(b)

⁷⁸ Moved from § 4996.18(b)

⁷⁹ Moved from § 4996.18(b) and reworded for clarity.

Add: § 4996.54 ASSOCIATE EXTENSION

(a) Notwithstanding Section 4996.52, an associate may apply for, and the board shall grant, one-year extensions beyond the six-year period when no grounds exist for denial, suspension, or revocation of the registration pursuant to Section 480.⁸⁰

(b) An associate shall be eligible to receive a maximum of three one-year extensions.⁸¹

(c) An application for extension shall be made on a form prescribed by the board.⁸²

(d) Each extension shall commence on the date when the last associate renewal or extension expires.⁸³

(e) An associate who practices pursuant to a registration extension shall not practice independently and shall comply with all requirements of this chapter governing experience, including supervision, even if the associate has completed the hours of experience required for licensure.⁸⁴

(f) An associate who is granted an extension may work in all work settings authorized pursuant to this chapter.⁸⁵

Amend §4996.6.

~~(a) The renewal fee for licenses that expire on or after January 1, 1996, shall be a maximum of one hundred fifty-five dollars (\$155)⁸⁶ and shall be collected on a biennial basis by the board in accordance with Section 152.6.⁸⁷ The fees shall be deposited in the State Treasury to the credit of the Behavioral Sciences Fund.⁸⁸~~

~~(a) (b)~~ Licenses issued under this chapter shall expire no more than 24 months after the issue date. The expiration date of the original license shall be set by the board.

~~(b) (c)~~ To renew an unexpired license, the licensee shall, on or before the expiration date of the license, do the following:

(1) Apply for a renewal on a form prescribed by the board.

(2) Pay a two-year renewal fee prescribed by the board.

(3) Certify compliance with the continuing education requirements set forth in Section 4996.22.

(4) Notify the board whether he or she has been convicted, as defined in Section 490, of a misdemeanor or felony, or whether any disciplinary action has been taken by any regulatory or licensing board in this or any other state, subsequent to the licensee's last renewal.

~~(d) If the license is renewed after its expiration, the licensee shall, as a condition precedent to renewal, also pay a delinquency fee of seventy-five dollars (\$75).⁸⁹~~

~~(e) Any person who permits his or her license to become delinquent may have it restored at any time within five years after its expiration upon the payment of all fees that he or she would have paid if the license had not become delinquent, plus the payment of all delinquency fees.⁹⁰~~

~~(f) A license that is not renewed within five years after its expiration may not be renewed, restored, reinstated, or reissued thereafter; however, the licensee may apply for and obtain a new license if:⁹¹~~

~~(1) No fact, circumstance, or condition exists that, if the license were issued, would justify its revocation or suspension.~~

~~(2) He or she pays the fees that would be required if he or she were applying for a license for the first time.~~

⁸⁰ Moved from § 4996.18(c)

⁸¹ Moved from § 4996.18(c)

⁸² Moved from § 4996.18(c)

⁸³ Moved from § 4996.18(c)

⁸⁴ Moved from § 4996.18(c)

⁸⁵ Moved from § 4996.18(c)

⁸⁶ Moved to § 4996.3(a)(8) and updated.

⁸⁷ Deleted. Duplicates (b)

⁸⁸ Deleted. Duplicates § 4984.5 (proposed §4989.96)

⁸⁹ Delinquency fee moved to § 4996.3(a)(10).

⁹⁰ Moved to § 4996.62

⁹¹ Moved to 4996.64

- ~~(3) He or she takes and passes the current licensing examinations as specified in Section 4996.1.~~⁹²
~~(g) The fee for issuance of any replacement registration, license, or certificate shall be twenty dollars (\$20).~~⁹³
~~(h) The fee for issuance of a certificate or letter of good standing shall be twenty-five dollars (\$25).~~⁹⁴

Add: § 4996.62 RENEWAL OF AN EXPIRED LICENSE

A licensee may renew a license at any time within five years after its expiration date by taking all of the actions described in Section 4996.6(b) and paying any delinquency fees.⁹⁵

Add: § 4996.64 RENEWAL OF A CANCELLED LICENSE

A license that is not renewed within five years after its expiration may not be renewed, restored, reinstated, or reissued. A licensee may apply for and obtain a new license if he or she satisfies all of the following requirements:

- (a) No fact, circumstance, or condition exists that, if the license were issued, would constitute grounds for revocation or suspension.⁹⁶
(b) He or she submits an application for examination eligibility and the required fees.⁹⁷
(c) He or she takes and passes the current licensing examinations.⁹⁸
(d) He or she submits the fee for initial license issuance.⁹⁹

Amend §4996.18.

(a) Any person who wishes to be credited with experience toward licensure requirements shall register with the board as an associate clinical social worker prior to obtaining that experience. The application shall be made on a form prescribed by the board and ~~shall be accompanied by a fee of ninety dollars (\$90).~~¹⁰⁰ board.

(b) An applicant for registration shall shall:

- (1) ~~possess~~ Possess a master's degree from an accredited school or department of social work, and work.
(2) ~~not~~ Not have committed any crimes or acts constituting grounds for denial of licensure under Section 480.

~~(c) On and after January 1, 1993, an~~ An applicant who possesses a master's degree from a school or department of social work that is a candidate for accreditation by the Commission on Accreditation of the Council on Social Work Education shall be eligible, and shall be required, to register as an associate clinical social worker in order to gain experience toward licensure if the applicant has not committed any crimes or acts that constitute grounds for denial of licensure under Section 480. That applicant shall not, however, be eligible for examination until the school or department of social work has received accreditation by the Commission on Accreditation of the Council on Social Work Education.

~~(b) Registration as an associate clinical social worker shall expire one year from the last day of the month during which it was issued. A registration may be renewed annually after initial registration by~~

⁹² Moved to § 4996.64

⁹³ Moved to § 4996.3(a)(11)

⁹⁴ Moved to § 4996.3(a)(12)

⁹⁵ Moved from § 4996.6(e) and codifying current practice.

⁹⁶ Moved from § 4996.6(f)(1)

⁹⁷ Moved from 4996.6(f) (...may **apply for** and obtain a new license...) and changed to reflect the new application title.

⁹⁸ Moved from 4996.6(f)(3)

⁹⁹ Clarification.

¹⁰⁰ Moved to § 4996.3(a)(1)

~~filing on or before the date on which the registration expires, an application for renewal,¹⁰¹ paying a renewal fee of seventy-five dollars (\$75),¹⁰² and notifying the board whether he or she has been convicted, as defined in Section 490, of a misdemeanor or felony, and whether any disciplinary action has been taken by any regulatory or licensing board in this or any other state, subsequent to the issuance of the initial registration or registrant's last renewal.¹⁰³ Each person who registers or has registered as an associate clinical social worker, may retain that status for a total of six years.¹⁰⁴ (c) Notwithstanding the limitations on the length of an associate registration in subdivision (b), an associate may apply for, and the board shall grant, one-year extensions beyond the six-year period when no grounds exist for denial, suspension, or revocation of the registration pursuant to Section 480.¹⁰⁵ An associate shall be eligible to receive a maximum of three one-year extensions.¹⁰⁶ An associate who practices pursuant to an extension shall not practice independently and shall comply with all requirements of this chapter governing experience, including supervision, even if the associate has completed the hours of experience required for licensure.¹⁰⁷ Each extension shall commence on the date when the last associate renewal or extension expires.¹⁰⁸ An application for extension shall be made on a form prescribed by the board¹⁰⁹ and shall be accompanied by a renewal fee of fifty dollars (\$50).¹¹⁰ An associate who is granted this extension may work in all work settings authorized pursuant to this chapter.¹¹¹~~

(d) A registrant shall not provide clinical social work services to the public for a fee, monetary or otherwise, except as an employee.

(e) A registrant shall inform each client or patient prior to performing any professional services that he or she is unlicensed and is under the supervision of a licensed professional.

(f) Any experience obtained under the supervision of a spouse or relative by blood or marriage shall not be credited toward the required hours of supervised experience.

(g) Any experience obtained under the supervision of a supervisor with whom the applicant has a personal relationship that undermines the authority or effectiveness of the supervision shall not be credited toward the required hours of supervised experience.

~~(h)~~ (g) An applicant who possesses a master's degree from an approved school or department of social work shall be able to apply experience the applicant obtained during the time the approved school or department was in candidacy status by the Commission on Accreditation of the Council on Social Work Education toward the licensure requirements, if the experience meets the requirements of Section 4996.20, 4996.21, or 4996.23. This subdivision shall apply retroactively to persons who possess a master's degree from an approved school or department of social work and who obtained experience during the time the approved school or department was in candidacy status by the Commission on Accreditation of the Council on Social Work Education.

Amend §4997.

~~A licensed clinical social worker may apply to the board to request that his or her license be placed on inactive status.¹¹² A licensee who holds an inactive license shall pay a biennial fee of half of the active renewal fee and shall be exempt from continuing education requirements specified in Section~~

¹⁰¹ Moved to § 4996.52

¹⁰² Requirement moved to § 4996.52, Fee amount moved to § 4996.3(a)(2)

¹⁰³ Moved to § 4996.52

¹⁰⁴ Moved to § 4996.52

¹⁰⁵ Moved to § 4996.54

¹⁰⁶ Moved to § 4996.54

¹⁰⁷ Moved to § 4996.54

¹⁰⁸ Moved to § 4996.54

¹⁰⁹ Moved to § 4996.54

¹¹⁰ Moved to § 4996.3(a)(3)

¹¹¹ Moved to § 4996.52

¹¹² Moved to (a)

~~4996.22,¹¹³ but shall otherwise be subject to this chapter and shall not engage in the practice of licensed clinical social work in this state.¹¹⁴ A licensee on inactive status who has not committed any acts or crimes constituting grounds for denial of licensure may, upon his or her request, have his or her license to practice licensed clinical social work placed on active status.¹¹⁵ A licensee requesting his or her license to be placed on active status between renewal cycles shall pay the remaining half of the renewal fee.¹¹⁶ A licensee requesting to reactivate from an inactive status whose license will expire less than one year from the date of the request shall be required to complete 18 hours of continuing education for license renewal.¹¹⁷ A licensee requesting to reactivate from an inactive status whose license will expire more than one year from the date of the request shall be required to complete 36 hours of continuing education for license renewal.¹¹⁸~~

(a) A licensee may apply to the board to request that his or her license be placed on inactive status.

(b) A licensee on inactive status shall be subject to this chapter and shall not engage in the practice of clinical social work in this state.

(c) A licensee who holds an inactive license shall pay a biennial fee of half of the standard renewal fee and shall be exempt from continuing education requirements.

(d) A licensee on inactive status who has not committed an act or crime constituting grounds for denial of licensure may, upon request, restore his or her license to practice clinical social work to active status.

(1) A licensee requesting his or her license be placed on active status between renewal cycles shall pay the remaining one-half of his or her renewal fee.

(2) A licensee requesting to restore his or her license to active status, whose license will expire less than one year from the date of the request, shall complete 18 hours of continuing education as specified in Section 4996.22.

(3) A licensee requesting to restore his or her license to active status, whose license will expire more than one year from the date of the request, shall complete 36 hours of continuing education as specified in Section 4996.22.

¹¹³ Moved to(c)

¹¹⁴ Moved to (b)

¹¹⁵ Moved to (d)

¹¹⁶ Moved to (d)(1)

¹¹⁷ Moved to (d)(2)

¹¹⁸ Moved to (d)(3)

REGULATIONS General Provisions

Amend §1816.

- ~~(a) The biennial renewal fee for a marriage and family therapist is one hundred fifty dollars (\$150.00). For those persons whose license expires on or after July 1, 1998, the biennial renewal fee shall be one hundred thirty dollars (\$130.00) except for the period of time in subsection (h).¹¹⁹~~
- ~~(b) The biennial renewal fee for a licensed clinical social worker is one hundred fifty dollars (\$150.00). For those persons whose license expires on or after July 1, 1998, the biennial renewal fee shall be one hundred dollars (\$100.00) except for the period of time in subsection (i).¹²⁰~~
- ~~(c) The biennial renewal fee for a licensed educational psychologist is eighty dollars (\$80.00) for each person whose license expires on or after July 1, 1998 except for the period of time in subsection (j).¹²¹~~
- ~~(d) The biennial renewal fee for a board-approved continuing education provider is two hundred dollars (\$200.00).¹²²~~
- ~~(e) The annual renewal fee for intern registration is seventy-five dollars (\$75.00).¹²³~~
- ~~(f) The annual renewal fee for associate clinical social worker registration is seventy-five dollars (\$75.00).¹²⁴~~
- ~~(g) The fee for associate clinical social worker extension is fifty dollars (\$50.00).¹²⁵~~
- ~~(h) For the period of January 1, 2001 through December 31, 2002, the biennial renewal fee for a marriage and family therapist is twenty-five dollars (\$25.00).¹²⁶~~
- ~~(i) For the period of January 1, 2001 through December 31, 2002, The biennial renewal fee for a licensed clinical social worker is twenty-five dollars (\$25.00).¹²⁷~~
- ~~(j) For the period of January 1, 2001 through December 31, 2002, The biennial renewal fee for a licensed educational psychologist is twenty-five dollars (\$25.00).¹²⁸~~

- (a) The annual renewal fee for marriage and family therapist intern registration is seventy-five dollars (\$75.00).
- (b) The annual renewal fee for associate clinical social worker registration is seventy-five dollars (\$75.00).
- (c) The fee for associate clinical social worker extension is fifty dollars (\$50.00).
- (d) The biennial active renewal fee for a marriage and family therapist is one hundred thirty dollars (\$130.00).
- (e) The biennial active renewal fee for a licensed educational psychologist is eighty dollars (\$80.00).
- (f) The biennial active renewal fee for a licensed clinical social worker is one hundred dollars (\$100.00).
- (g) The biennial renewal fee for a board-approved continuing education provider is two hundred dollars (\$200.00).

Amend §1816.1.

- ~~(a) On or after July 1, 1998, the fee for issuance of the initial marriage and family therapist license shall be one hundred thirty dollars (\$130.00).¹²⁹~~

¹¹⁹ Outdated.

¹²⁰ Moved to (f) and updated.

¹²¹ Moved to (e) and updated.

¹²² Moved to (g)

¹²³ Remains in (a)

¹²⁴ Remains in (b)

¹²⁵ Remains in (c)

¹²⁶ Outdated.

¹²⁷ Outdated.

¹²⁸ Outdated.

¹²⁹ Moved to (c) and updated.

~~(b) On or after July 1, 1998, the fee for issuance of the initial clinical social worker license shall be one hundred dollars (\$100.00).~~¹³⁰
~~(c) On or after July 1, 1998, the fee for issuance of the initial educational psychologist license shall be eighty dollars (\$80.00).~~¹³¹
~~(d) The fee for issuance of the initial intern registration shall be seventy-five dollars (\$75.00).~~¹³²
~~(e) The fee for issuance of the initial associate clinical social worker registration shall be seventy-five dollars (\$75.00).~~¹³³

(a) The fee for initial issuance of the marriage and family therapist license shall be one hundred thirty dollars (\$130.00).
(b) The fee for initial issuance of the licensed educational psychologist license shall be eighty dollars (\$80.00).
(c) The fee for initial issuance of the licensed clinical social worker license shall be one hundred dollars (\$100.00).

Amend §1816.2. WRITTEN EXAMINATION AND RE-EXAMINATION FEES

(a) The examination ~~and re-examination~~ fee for the standard written examination of the licensed clinical social worker shall be one hundred dollars (\$100.00).
(b) The examination ~~and re-examination~~ fee for the written clinical vignette examination of the licensed clinical social worker shall be one hundred dollars (\$100).
(c) The examination ~~and re-examination~~ fee for the standard written examination of the marriage and family therapist shall be one hundred dollars (\$100.00).
(d) The examination ~~and re-examination~~ fee for the written clinical vignette examination of the marriage and family therapist shall be one hundred dollars (\$100.00).
(e) The examination ~~and re-examination~~ fee for the written examination of the licensed educational psychologist shall be one hundred dollars (\$100.00).¹³⁴

Amend §1816.4.

(a) The ~~examination application~~ fee for the marriage and family therapist examination eligibility application shall be one hundred dollars (\$100.00).
(b) The ~~examination application~~ fee for the licensed clinical social worker examination eligibility application shall be one hundred dollars (\$100.00).
(c) The ~~examination application~~ fee for the licensed educational psychologist examination eligibility application shall be one hundred dollars (\$100.00).¹³⁵

Amend §1816.6.

(a) The fee for issuance or renewal¹³⁶ of the ~~an~~ inactive marriage and family therapist license shall be sixty-five dollars (\$65.00) ~~except for the period of time in subsection (d).~~¹³⁷
(b) The fee for issuance or renewal¹³⁸ of the ~~an~~ inactive licensed clinical social worker license shall be fifty dollars (\$50.00) ~~except for the period of time in subsection (e).~~¹³⁹

¹³⁰ Moved to (e) and updated.

¹³¹ Moved to (d) and updated.

¹³² The board does not charge such a fee.

¹³³ The board does not charge such a fee.

¹³⁴ Re-examination fee is the same as the examination fee – not necessary.

¹³⁵ Changed to better reflect the purpose of the fee and proposed application title.

¹³⁶ § 4984.8 states inactive licensees pay a biennial fee of half the active renewal fee.

¹³⁷ Outdated.

(c) The fee for issuance or renewal¹⁴⁰ of the an inactive licensed educational psychologist license shall be forty dollars (\$40.00) ~~except for the period of time in subsection (f).~~¹⁴¹

~~(d) For the period of January 1, 2001 through December 31, 2002, the fee for issuance of the inactive marriage, family, and child counselor license shall be twelve dollars and fifty cents (\$12.50).~~

~~(e) For the period of January 1, 2001 through December 31, 2002, the fee for issuance of the inactive licensed clinical social worker license shall be twelve dollars and fifty cents (\$12.50).~~

~~(f) For the period of January 1, 2001 through December 31, 2002, the fee for issuance of the inactive licensed educational psychologist license shall be twelve dollars and fifty cents (\$12.50).~~¹⁴²

(d) The fee for renewal of a delinquent inactive marriage and family therapist license is sixty-five dollars (\$65.00).

(e) The fee for renewal of a delinquent inactive licensed clinical social worker license is fifty dollars (\$50.00).

(f) The fee for renewal of a delinquent inactive licensed educational psychologist license is forty dollars (\$40.00).¹⁴³

Amend §1816.7.

(a) The delinquency fee for the marriage and family therapist license shall be sixty-five dollars (\$65.00) ~~except for the period of time in subsection (d).~~

(b) The delinquency fee for the licensed clinical social worker license shall be fifty dollars (\$50.00) ~~except for the period of time in subsection (e).~~

(c) The delinquency fee for the licensed educational psychologist license shall be forty dollars (\$40.00) ~~except for the period of time in subsection (f).~~¹⁴⁴

~~(d) For the period of January 1, 2001 through December 31, 2002, the delinquency fee for the marriage, family, and child counselor license shall be twenty-five dollars (\$25.00).~~

~~(e) For the period of January 1, 2001 through December 31, 2002, the delinquency fee for the licensed clinical social worker license shall be twenty-five dollars (\$25.00).~~

~~(f) For the period of January 1, 2001 through December 31, 2002, the delinquency fee for the licensed educational psychologist license shall be twenty-five dollars (\$25.00).~~¹⁴⁵

MFT

Delete: §1846. MARRIAGE, FAMILY AND CHILD COUNSELOR INTERNS

~~The registration of each intern shall expire at midnight one year from the last day of the month in which the registration was issued.~~¹⁴⁶

¹³⁸ § 4997 states inactive licensees pay a biennial fee of half the active renewal fee.

¹³⁹ Outdated.

¹⁴⁰ § 4986.82 states inactive licensees pay a biennial fee of half the active renewal fee.

¹⁴¹ Outdated.

¹⁴² Outdated.

¹⁴³ § 1816.7 specifies delinquent license fees in general. Specified here in order to restructure and clarify.

¹⁴⁴ Outdated.

¹⁴⁵ Outdated.

¹⁴⁶ Deleted, not necessary.

Item IX

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State of California

Memorandum

To: Budget and Efficiency Committee

Date: June 8, 2006

From: Paul Riches

Telephone: (916) 574-7840

Subject: Budget Update

2005-06 Budget

Attachment A is an updated expenditure report for the 2005-06 fiscal year. This report indicates a projected year end balance of approximately \$275,000. This is a conservative projection and I expect that the year end balance will be higher.

Staff will provide more detailed information at the July board meeting when we have year end budget data.

2006-07 Budget

The 2005-06 fiscal year ends on June 30, 2006. As of this writing, the 2006-07 state budget has not been adopted. However, the board's budget for 2006-07 has been agreed to and is unlikely to change through the end of the budget process. Based on the content of the current budget bill (Attachment B) the board's budget for 2006-07 will be \$4.9 million. This is an increase of approximately \$100,000 (2%) over the 2005-06 fiscal year budget. This increase includes a \$35,000 augmentation to fund the board's share of the iLicensing system for 2006/07.

2007-08 Budget

Staff has submitted a budget change proposal (BCP) requesting two additional enforcement analysts. This proposal was submitted in response to increasing consumer complaint workload in the enforcement unit. The BCP proposes to redirect funding from existing line items for Attorney General and Office of Administrative Hearings expenses. Both of these items have had significant unexpended balances in recent years and those resources are needed elsewhere in the board's enforcement program. The BCP is subject to review by the Department of Consumer Affairs, State and Consumer Services Agency and the Department of Finance.

If the BCP receives final approval it will be included in the proposed Governor's budget that will be released next January.

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Attachment A

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BOARD OF BEHAVIORAL SCIENCES
EXPENDITURE REPORT FY 2005/2006

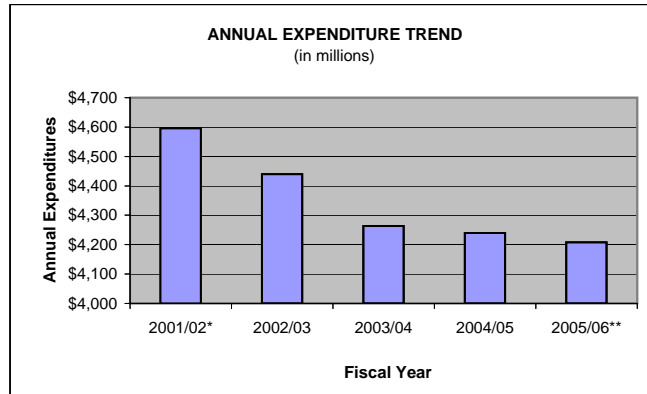
OBJECT DESCRIPTION	FY 2004/2005	FY 2005/2006			
	ACTUAL EXPENDITURES	BUDGET ALLOTMENT	CURRENT YEAR AS OF 4/30/06	PROJECTIONS TO YEAR END	UNENCUMBERED BALANCE
PERSONAL SERVICES					
Salary & Wages (Civ Svc Perm)	1,005,615	1,190,617	871,134	1,135,000	55,617
Salary & Wages (Stat Exempt)	82,863	81,420	69,884	84,132	(2,712)
Temp Help (907)(Seasonals)	27,338	14,105	22,891	29,000	(14,895)
Temp Help (915)(Proctors)	0	19,444	0	0	19,444
Board Memb (Per Diem)	9,800	12,900	6,500	9,000	3,900
Overtime	1,399	7,533	5,059	7,533	0
Totals Staff Benefits	490,027	507,933	392,184	510,000	(2,067)
Salary Savings	0	(54,514)			(54,514)
TOTALS, PERSONAL SERVICES	1,617,042	1,779,438	1,367,652	1,774,665	4,773
OPERATING EXP & EQUIP					
Fingerprint Reports	4,766	162,954	3,522	5,000	157,954
General Expense	40,542	52,416	51,798	55,000	(2,584)
Printing	45,078	85,377	58,412	62,000	23,377
Communication	9,232	24,460	5,684	8,000	16,460
Postage	71,831	97,944	79,696	90,000	7,944
Travel, In State	50,908	54,082	44,985	54,082	0
Travel, Out-of-State	0	0	0	0	0
Training	12,652	15,288	18,200	20,000	(4,712)
Facilities Operations	190,379	207,867	89,062	175,000	32,867
C&P Services - Interdept.	2,059	25,833	0	2,000	23,833
C&P Services-Ext (Hatton)	16,595	9,119	3,025	16,000	(6,881)
DEPARTMENTAL PRORATA					
DP Billing	284,922	252,057	210,048	252,057	0
Indirect Distribution Costs	291,069	279,388	232,822	279,388	0
Communication/Educ. Division	14,700	16,091	13,409	16,091	0
D of I Prorata	8,177	7,854	6,547	7,854	0
Interagency Services (OER IACs)	194,926	0	126,570	194,000	(194,000)
Consolidated Data Services	4,499	20,250	2,266	6,000	14,250
Data Processing (Maint,Supplies,Contract)	10,655	4,383	10,264	13,000	(8,617)
Central Admin. Svcs - Pro Rata	159,995	146,345	109,758	146,345	0
EXAM EXPENSES					
Exam Site Rental	80,028	192,079	48,810	75,000	117,079
Exam Contract (Thomson) (404.00)	332,191	277,744	259,751	375,000	(97,256)
Expert Examiners (404.03)	290,841	448,223	211,138	300,000	148,223
ENFORCEMENT					
Attorney General	257,656	517,625	241,711	400,000	117,625
Office of Admin. Hearing	45,395	149,421	28,609	65,000	84,421
Court Reporters	7,968	0	1,623	10,000	(10,000)
Evidence/Witness Fees	17,194	59,247	38,083	45,000	14,247
Division of Investigation	66,333	42,788	21,439	42,788	0
Minor Equipment (226)	82,704	37,100	12,855	30,000	7,100
Major Equipment	31,034	10,000	0	5,000	5,000
TOTAL, OE&E	2,621,479	3,195,935	1,930,086	2,749,605	446,330
TOTAL EXPENDITURES	\$4,238,521	\$4,975,373	\$3,297,738	\$4,524,270	\$451,103
Fingerprints	(4,512)	(150,000)	3,682	(5,000)	(146,318)
Other Reimbursement	(22,772)	(26,000)	11,225	(26,000)	(14,775)
Unscheduled Reimbursements	(27,826)	0	15,063	(20,000)	(15,063)
Total Reimbursements	(55,110)	(176,000)	29,970	(51,000)	(176,156)
NET APPROPRIATION	\$4,183,411	\$4,799,373	\$3,327,708	\$4,473,270	\$274,947

BOARD OF BEHAVIORAL SCIENCES

Budget Trends

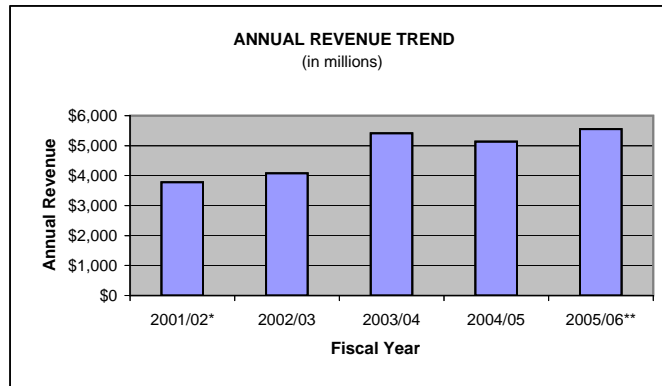
ANNUAL EXPENDITURES

2001/02*	2002/03	2003/04	2004/05	2005/06**
\$4,595	\$4,440	\$4,263	\$4,239	\$4,208



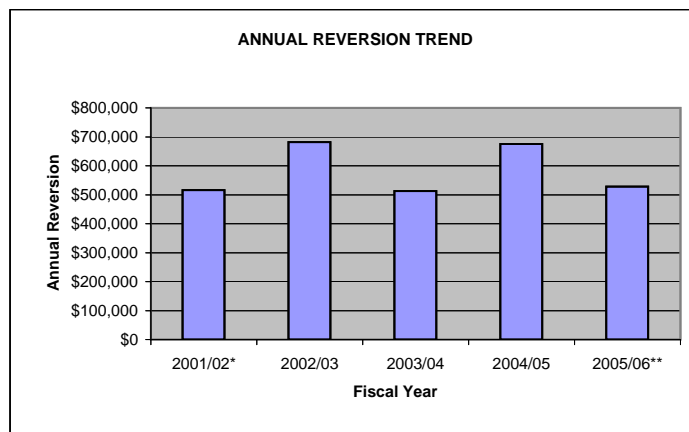
ANNUAL REVENUE

2001/02*	2002/03	2003/04	2004/05	2005/06**
\$3,782	\$4,076	\$5,418	\$5,137	\$5,551



ANNUAL REVERSION

2001/02*	2002/03	2003/04	2004/05	2005/06**
\$515,982	\$681,686	\$512,575	\$675,512	\$528,689



*Fee Reduction in effect.

**Projected through the end of the year.

Attachment B

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SENATE BILL

No. 1129

Introduced by Senator Chesbro

January 10, 2006

An act making appropriations for the support of the government of the State of California and for several public purposes in accordance with the provisions of Section 12 of Article IV of the Constitution of the State of California, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1129, as amended, Chesbro. 2006–07 Budget.

This bill would make appropriations for support of state government for the 2006–07 fiscal year.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1.00. This act shall be known and may be cited as the
2 “Budget Act of 2006.”
3 SEC. 1.50. (a) In accordance with Section 13338 of the Government
4 Code, as added by Chapter 1284, Statutes of 1978, and as amended by
5 Chapter 1286, Statutes of 1984, it is the intent of the Legislature that this
6 act utilize a coding scheme compatible with the Governor’s Budget and
7 the records of the Controller, and provide for the appropriation of federal
8 funds received by the state and deposited in the State Treasury.
9 (b) Essentially, the format and style are as follows:
10 (1) Appropriation item numbers have a code which is common to all
11 the state’s fiscal systems. The meaning of this common coded item number
12 is as follows:
13 2720—Organization Code (this code represents the California Highway
14 Patrol)

Item	Amount
1 Schedule:	
2 (1) 72-California State Board of Phar-	
3 macy.....	8,446,000
4	8,496,000
5 (2) Reimbursements.....	-251,000
6 Provisions:	
7 1. The amount appropriated in this item may in-	
8 clude revenues derived from the assessment of	
9 fines and penalties imposed as specified in Sec-	
10 tion 13332.18 of the Government Code.	
11 1110-001-0770—For support of Board for Professional	
12 Engineers and Land Surveyors, payable from the	
13 Professional Engineers' and Land Surveyors'	
14 Fund.....	8,025,000
15	8,085,000
16	
17 Schedule:	
18 (1) 75-Board for Professional Engi-	
19 neers and Land Surveyors.....	8,041,000
20	8,101,000
21 (2) Reimbursements.....	-16,000
22 Provisions:	
23 1. The amount appropriated in this item may in-	
24 clude revenues derived from the assessment of	
25 fines and penalties imposed as specified in Sec-	
26 tion 13332.18 of the Government Code.	
27 1110-001-0771—For support of Court Reporters Board	
28 of California, payable from the Court Reporters	
29 Fund.....	783,000
30	787,000
31 Schedule:	
32 (1) 81-Court Reporters Board of Cali-	
33 fornia.....	801,000
34	805,000
35 (2) Reimbursements.....	-18,000
36 Provisions:	
37 1. The amount appropriated in this item may in-	
38 clude revenues derived from the assessment of	
39 fines and penalties imposed as specified in Sec-	
40 tion 13332.18 of the Government Code.	
41 1110-001-0773—For support of Board of Behavioral	
42 Science, payable from the Behavioral Science Ex-	
43 aminers Fund, Professions and Vocations Fund.....	4,868,000
44	4,903,000
45	

Item	Amount
1 Schedule:	
2 (1) 18-Board of Behavioral Science....	4,918,000
3	4,953,000
4 (2) Reimbursements.....	-50,000
5 Provisions:	
6 1. The amount appropriated in this item may in-	
7 clude revenues derived from the assessment of	
8 fines and penalties imposed as specified in Sec-	
9 tion 13332.18 of the Government Code.	
10 1110-001-0775—For support of Structural Pest Control	
11 Board, payable from the Structural Pest Control	
12 Fund, Professions and Vocations Fund.....	3,826,000
13	3,840,000
14 Schedule:	
15 (1) 84-Structural Pest Control	
16 Board.....	4,181,000
17	4,195,000
18 (2) Reimbursements.....	-2,000
19 (3) Amount payable from the Struc-	
20 tural Pest Control Education and	
21 Enforcement Fund (Item 1110-	
22 001-0399).....	-353,000
23 Provisions:	
24 1. The amount appropriated in this item may in-	
25 clude revenues derived from the assessment of	
26 fines and penalties imposed as specified in Sec-	
27 tion 13332.18 of the Government Code.	
28 1110-001-0777—For support of Veterinary Medical	
29 Board, payable from the Veterinary Medical Board	
30 Contingent Fund.....	2,301,000
31	2,310,000
32 Schedule:	
33 (1) 90-Veterinary Medical Board.....	2,327,000
34	2,336,000
35 (2) Reimbursements.....	-26,000
36 Provisions:	
37 1. The amount appropriated in this item may in-	
38 clude revenues derived from the assessment of	
39 fines and penalties imposed as specified in Sec-	
40 tion 13332.18 of the Government Code.	
41 1110-001-0779—For support of Board of Vocational	
42 Nurse and Psychiatric Technician Examiners,	
43 payable from the Vocational Nursing and Psychi-	
44 atric Technicians Fund.....	5,202,000
45	5,241,000